

Department of Finance and Personnel
North/South Pension Scheme Resource Accounts
For the 11 month period ended 31 March 2006

*Laid before the Houses of Parliament
By the Department of Finance and Personnel
In accordance with Paragraph 36 of the Schedule to the
Northern Ireland Act 2000 (Prescribed Documents) Order 2004*

15 November 2006

*Laid before the Northern Ireland Assembly by the Department of Finance
and Personnel under section 10(4) of the Government
Resources and Accounts Act (Northern Ireland) 2001*

15 November 2006

Ordered by the House of Commons to be printed

15 November 2006

REPORT OF THE MANAGERS

Account for the period ended 31 March 2006

Introduction

The North/South Pension Scheme (“the Scheme”) is an unfunded, contributory, defined-benefit Scheme. The Scheme was established by the North/South Implementation Bodies and Tourism Ireland Limited (“the Bodies”) with effect from 29 April 2005. It is a relevant Statutory Scheme as defined in Section 611A 1(b) ICTA (Income and Corporation Taxes Act) and is a member of the Public Sector Transfer Club. It is Contracted Out on a salary-related basis (SCON: S2734037H). The Scheme’s IRPSS (Inland Revenue Pension Scheme Services) reference is SF49/1230.

The Bodies participating in the Scheme for the period ended 31 March 2006 were as follows:

- Waterways Ireland (WI);
- The Food Safety Promotion Board (FSPB);
- The Trade and Business Development Body (TBDB);
- The Special EU Programmes Body (SEUPB);
- The North/South Language Body (NSLB); and
- Tourism Ireland Limited (TIL).

In general, all full time and part time employees of the Bodies are automatically members of the Scheme from the day that they start to work for a Body. On 31 March 2006, the Scheme had 607 active members, 118 deferred members and 27 pensioners.

There are two categories of membership; Reserved Rights members (those whose employment was transferred to one of the participating employers as a result of the transfer of the function/responsibilities from the previous employers) retain the pension terms and conditions from their previous employment, while Core members receive benefits in accordance with the Rules of the Scheme.

The Reserved Rights Schemes are as follows:

- Principal Civil Service Pension Scheme (Northern Ireland)
- Superannuation Scheme for Established Civil Servants
- Non-Contributory Pension Scheme for Non-Established State Employees
- Bord na Gaeilge Superannuation Scheme
- Bord Failte Eireann Superannuation Scheme
- Northern Ireland Local Government Officers Superannuation Committee Scheme

Although the Scheme only became operational with effect from 29 April 2005, members may have elected to backdate membership. As a result, the date of commencement of reckonable service will vary from member to member, depending on individual elections, but will fall within one of the following categories:

- 2 December 1999; or
- The date of joining one of the Bodies if later, subject to meeting the eligibility criteria for the Scheme on that date; or
- A date between that when the member was first eligible for the Scheme and 28 April 2005, where the member decides not to fully backdate membership; or
- 29 April 2005 if the member chooses not to backdate membership

The Scheme provides a wide range of benefits including, but not limited to, retirement benefits, death in service benefits and spouse and dependant benefits.

The Scheme has members in both Northern and Southern jurisdictions. The cost will be financed by the appropriate Government Departments, North and South, on the basis of the non-capital funding ratio for the Body concerned, adjusted, where appropriate, to take account of an individual's prior reckonable service for pension purposes.

These accounts relate to the northern share of the Scheme liabilities only, and all references to funding arrangements have been duly proportioned in accordance with guidance issued by the Department of Finance and Personnel (DFP).

Development of the Scheme from Establishment (29 April 2005) to Period End (31 March 2006)

Employee Backdated Contributions

On establishment of the Scheme, Core members had the option to pay contributions for the period from their date of joining service to the date of establishment of the Scheme. In doing so, they could make this period of service reckonable. With the exception of Foras Na Gaeilge, this exercise has been completed and arrangements are in place to collect all backdated contributions due. In line with the Scheme rules, payment of the amount due by the member to the relevant Body can be made in one of three ways:

- In a lump sum at a time agreed between the Member and the Administrator; or
- In instalments of set amounts over an agreed period of time; or
- Where neither of the arrangements detailed above are in place deductions of 3% should be made from each payment of salary (i.e. an additional 1.5% on the standard contribution) until the full backdated amount has been recovered.

Core/Reserved Right Options

Members whose employment was transferred to one of the participating employers as a result of the transfer of the function/responsibilities from the previous employers have the option to retain the pension basis of their previous Scheme (Reserved Rights member), or to elect to accrue benefits in accordance with the Rules of the Scheme (Core member).

All Option Forms have been issued, and in accordance with Rule A26, members were to make this election before 28th April 2006.

However, at their meeting of 22 February 2006, the CEO Pension Committee agreed to extend this deadline by six months. All members must now make this election by 27 October 2006.

Club Transfers - In

All Club Transfers must be completed by 28th April 2006. The Administrator is progressing all such applications to transfer Retained Benefits into the Scheme.

Non club Transfers - In

This class of transfers cannot yet be progressed to completion. The Scheme Actuary is presently finalising the methodology for the calculation of the service credit to be secured. The deadline for completion has been extended to 31 October 2006.

Group Transfers

There have been no Group Transfers in or out of the Scheme.

Purchase of Added Years Scheme

The Purchase of Added Years Scheme has been agreed by written procedure, and by the trade unions. The Department of Finance and Personnel are proceeding to obtain approval of the Scheme at Inland Revenue and public sector transfer level, following which the Scheme will be put forward for approval by the North/South Ministerial Council.

Compensation & Injury Benefit Scheme

The Administrator has prepared draft Schemes, which have been circulated to the Chief Executive Officers of the Bodies for their consideration.

Scheme Bank Account

Banking arrangements are currently being established.

Member Communication

Pension Scheme Booklets for both Core and Reserved Rights members have been produced and distributed. Copies of the booklets can be obtained from the Bodies.

In addition, the Bodies, along with the Administrator, have completed 12 Pension Roadshows in locations across Northern Ireland in February, March and April. The purpose of these roadshows was to raise awareness of the Scheme and answer any questions employees may have. A further roadshow is to be arranged for Foras na Gaeilge.

Changes to Scheme

To date there have been no changes to the benefits provided under the Scheme Rules.

Managers, Advisers and Employers

<i>Managers</i>	
<p>Accounting Officer Mr John Hunter Department of Finance & Personnel Rathgael House Balloo Road BANGOR BT19 7PR</p>	<p>Pension Scheme Practitioner Mrs Nicola Magee PricewaterhouseCoopers LLP (PWC) Waterfront Plaza 8 Laganbank Road BELFAST BT1 3LR</p>
<i>Advisers</i>	
<p>Scheme Actuary Peter Noonan Government Actuary's Department Finlaison House 15-17 Furnival Street LONDON EC4A 1AB</p> <p>Legal Adviser (Interim) Arthur Cox Solicitors Earlsfort Centre Earlsfort Terrace DUBLIN 2</p> <p>Medical Adviser Not Yet Established</p>	<p>Banker Not yet established</p> <p>Auditor Northern Ireland Audit Office 106 University Street BELFAST BT7 1EU</p>
<i>Employers</i>	
<p>Principal Employer Relevant Employers</p>	<ul style="list-style-type: none"> • There is no Principal Employer. • Waterways Ireland • Food Safety Promotions Board • Special EU Programmes Body • North/South Language Body (comprising Foras na Gaeilge and Tha Boord O Ulstér-Scotch) • Tourism Ireland Limited • Trade and Business Development Body

Additional Voluntary Contributions and Stakeholder Pensions

A Group Additional Voluntary Contribution (AVC) Scheme has been established with the Prudential for northern members. In addition, Prudential have also been selected as the preferred Stakeholder provider, and the individual Bodies are each required to establish a Stakeholder Scheme.

Marsh Ireland Limited are providing AVC arrangements for southern members, with the Merlow Trust appointed as independent trustees.

The Bodies will make arrangements known to staff and provide a facility for staff to contribute through payroll if they so wish. No contributions will be made by the Bodies to these plans.

Post Balance Sheet Events

The deadline for the completion of non club transfers-in has been extended to an election date of 31 January 2007 by the CEO Pension Committee, with a deadline for receipt of funds six months thereafter.

Disclosure to Auditors

The Principal Accounting Officer, John Hunter, has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditors are aware of such information. So far as he is aware there is no relevant audit information of which the entity's auditors are unaware.

Further information

Any enquiries about the Scheme should be addressed to:

Mrs Nicola Magee
PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Membership Statistics

Detail of the total current membership of the Scheme is as follows:

Active Members

	Active Members at the start of the period	611
Add:	New entrants in the period	40
Less:	Retirements in the period	(10)
	Members leaving with deferred pensions	(34)
	Transfers out	0
	Death	0
	Active members at the end of the period	607

Deferred Members

	Deferred members at the start of the period	84
Add:	Members leaving who have deferred pension rights	34
Less:	Members taking up deferred pension rights (there may be deaths within this category, which will be reflected in the Pensions or Members figures, as their status is now historic).	0
	Transfers Out	0
	Deaths	0
	Deferred members at the end of the period	118*

Pensioners in payment

	Pensioners at the start of the period	- Members	16
		- Dependants	1
Add:	Members retiring in the period		10
	New retirees dependants		0
Less:	Pensioners who died/cessations/others in period		0
		- Members	0
		- Dependants	0
	Pensioners at the end of the period		
		- Members	26
		- Dependants	1

*** 70 of the 118 leavers categorised as deferred leavers above are to be offered a transfer of pension rights or a refund of personal contributions paid.**

REPORT OF THE ACTUARY – NORTH/SOUTH PENSION SCHEME (NORTHERN SECTION)

Accounts for the period ended 31 March 2006

A. The Scheme

The North South Pension Scheme (“NSPS”) is an unfunded public service scheme. In the Northern section of the Scheme, participating employers make contributions known as accruing superannuation liability charges (ASLCs). ASLCs are assessed regularly by the Scheme Actuary to be consistent with those which might have applied had the scheme been funded. Generally, these contributions include an allowance for amortised surpluses or deficits that would have arisen in a funded scheme. In the case of the Northern section of the NSPS, there were three potential sources of deficiency at the first valuation date of 29 April 2005, as follows:

- 1) the strain on accepting significant numbers of Club transfers following establishment of the Bodies;
- 2) the expected shortfall of bulk transfer payments from the Reserved Rights schemes relative to the liabilities transferring;
- 3) underpayment of arrears of employer contributions prior to the initial valuation at 29 April 2005.

We understand that these financial strains will not be re-charged to the participating employers.

B. Opening Liabilities

The capitalised value as at 29 April 2005 of expected future benefit entitlements under the Northern section of the NSPS for benefits accrued in respect of employment (or former employment) prior to 29 April 2005, has been assessed using the methodology and assumptions summarised in Sections F and G below. The results are as follows:

Table 1: Statement of liabilities as at 29 April 2005

Part I: Actuarial Liability in respect of actual Scheme service (£million)

	Employer						Grand Total
	WI	FSPB	TBDB	SEUPB	NSLB	TIL	
Actives	8.0	0.8	0.9	0.7	1.4	3.6	15.4
Deferreds	0.1	0.1	0.1	0.1	0.0	0.6	1.0
Pensioners	0.2	0.0	0.0	0.7	0.3	0.0	1.2
Total	8.3	0.9	1.0	1.5	1.7	4.2	17.6
Funding ratio (N:S)	15:85	30:70	33:67	56:44	31:69	23:77	24:76
North	1.2	0.3	0.3	0.8	0.5	1.0	4.2
South	7.1	0.6	0.6	0.7	1.2	3.2	13.4

Table 1: Statement of liabilities as at 29 April 2005**Part II: Actuarial Liability in respect of previous Scheme service (£million)**

	Employer						Grand Total
	WI	FSPB	TBDB	SEUPB	NSLB	TIL	
RR North	0.7	0.0	0.0	0.0	0.0	1.1	1.7
RR South	17.8	0.0	0.0	0.0	3.4	8.0	29.2
Club	2.3	0.1	1.7	1.1	0.0	0.4	5.7
Network	0.0	0.7	0.4	0.0	0.0	1.4	2.5
Total North	3.0	0.1	1.7	1.1	0.0	1.5	7.4
Total South	17.8	0.7	0.4	0.0	3.4	9.4	31.7
Grand Total	20.8	0.8	2.1	1.1	3.4	10.9	39.1

Table 1: Statement of liabilities as at 29 April 2005**Part III: Total Actuarial Liability (£million)**

	Employer						Total
	WI	FSPB	TBDB	SEUPB	NSLB	TIL	
North	4.2	0.4	2.1	1.9	0.5	2.5	11.6
South	24.9	1.3	1.0	0.7	4.6	12.6	45.1
Total	29.1	1.7	3.1	2.6	5.2	15.1	56.7

C. Closing Liabilities

The capitalised value as at 31 March 2006 of expected future benefit entitlements under the Northern section of the NSPS for benefits accrued in respect of employment (or former employment) prior to 31 March 2006, has been assessed using the methodology and assumptions summarised in Sections F and G below. The results are as follows:

Table 2: Statement of liabilities as at 31 March 2006**Part I: Actuarial Liability in respect of actual Scheme service (£million)**

	Employer						Grand Total
	WI	FSPB	TBDB	SEUPB	NSLB	TIL	
Actives	11.8	1.2	1.2	1.0	1.9	5.0	22.1
Deferreds	0.1	0.1	0.1	0.1	0.1	0.7	1.2
Pensioners	0.2	0.0	0.0	0.7	0.3	0.0	1.2
Total	12.1	1.3	1.3	1.8	2.2	5.7	24.4
Funding ratio (N:S)	15:85	30:70	33:67	56:44	31:69	23:77	23:77
North	1.8	0.4	0.4	1.0	0.7	1.3	5.7
South	10.3	0.9	0.9	0.8	1.5	4.4	18.8

Table 2: Statement of liabilities as at 31 March 2006**Part II: Actuarial Liability in respect of previous Scheme service (£million)**

	Employer						Grand Total
	WI	FSPB	TBDB	SEUPB	NSLB	TIL	
RR North	0.7	0.0	0.0	0.0	0.0	1.2	1.9
RR South	19.7	0.0	0.0	0.0	3.6	8.6	31.9
Club	2.6	0.1	1.7	1.1	0.0	0.5	6.0
Network	0.0	0.8	0.4	0.0	0.0	1.5	2.7
Total North	3.3	0.1	1.7	1.1	0.0	1.7	7.9
Total South	19.7	0.8	0.4	0.0	3.6	10.1	34.6
Grand Total	23.0	0.9	2.2	1.1	3.6	11.7	42.5

Table 2: Statement of liabilities as at 31 March 2006**Part III: Total Actuarial Liability (£million)**

	Employer						Total
	WI	FSPB	TBDB	SEUPB	NSLB	TIL	
North	5.1	0.5	2.2	2.2	0.7	3.0	13.6
South	29.9	1.7	1.3	0.8	5.2	14.5	53.3
Total	35.1	2.2	3.4	3.0	5.9	17.4	66.9

D. Accruing Costs

The total cost of benefits accruing in the year following 29 April 2005 has been assessed using the methodology and assumptions set out in Sections F and G below. The cost of accruing benefits has been assessed as being 23.0% of pay, or 21.5% if member contributions at the rate 1.5% are deducted. This is an equal monetary amount to 29.4% of the Northern share of total pensionable pay (or 27.9% after deducting member contributions), where the Northern share is determined by applying the relevant funding ratio to each Body's total pensionable payroll.

We have been informed that, during the period, employer contributions were paid at the rate of 15% of the Northern share of pensionable pay and contributions amounted in total to £586,000.

A breakdown of the determination of the Northern Current Service Cost is set out at Table 3.

Table 3: Statement of liabilities as at 29 April 2005
Liability accruing in the year following 29 April 2005 (£million)

	Employer						All
	WI	FSPB	TBDB	SEUPB	NSLB	TIL	
Liability (whole scheme)	1.9	0.3	0.2	0.2	0.3	1.0	4.0
Funding ratio (N:S)	15:85	30:70	33:67	56:44	31:69	23:77	23:77
Liability (N)	0.3	0.1	0.1	0.1	0.1	0.2	0.9
Projected Payroll (N)	1.4	0.3	0.2	0.7	0.2	1.2	4.1
SCR (N)	20.7%	29.0%	29.5%	19.8%	56.0%	19.8%	23.0%
Liability (S)	1.6	0.2	0.1	0.1	0.2	0.8	3.1
Projected Payroll (S)	5.1	0.6	0.5	0.1	0.9	2.4	9.7
SCR (S)	32.0%	28.8%	29.4%	75.7%	25.9%	33.3%	32.1%
SCR (Whole Scheme)	29.5%	28.8%	29.4%	29.1%	31.0%	28.7%	29.4%

This contribution rate is generally higher than the cost of the accruing benefits as shown in the regular actuarial valuations of the NSPS. This is mainly because, in the valuations, employer contribution rates are based on the accruing cost assessed by reference to the long term view of real investment yields whereas the accruing annual cost disclosed for accounts purposes is based on a short term view of market investment yields. At present, the short term market real yield is lower than the expected long term real yield, which results in a higher contribution rate being disclosed in the Scheme's accounts. Based on using the short-term yield, the total contributions receivable (including members' contributions) are assessed as £1.08 million for the period 29 April 2005 to 31 March 2006.

The unusually high theoretical contribution rate for NSLB arises because, for this Body, the funding ratio (N:S 31:69) differs greatly from the ratio of Northern to Southern payroll (N:S 9:91).

E. Movement in liability table (£000s)

Northern section Liability at 29 April 2005	11,597
<i>plus</i> Current Service Cost	1,135
<i>plus</i> Past Service Cost	0
<i>plus</i> Interest on PS Liability	640
<i>plus</i> Pension Transfers in, added years, prefunded ER	0
<i>less</i> Benefits Paid	-73
<i>plus</i> Actuarial Loss	303
Northern section liability at 31 March 2006	13,602

F. Methodology

The value of the liabilities has been obtained by using the projected accrued benefits method, with allowance for expected future pay increases in respect of active members. The standard contribution rate for accruing costs has been determined using the projected unit method, with a control period of one year.

G. Assumptions

The principal financial assumptions adopted for the pension assessments made in relation to this statement are in accordance with the discount rate promulgated by the FRAB for pension purposes in the public sector in Great Britain, which is 2.8% pa with effect from 1 April 2005. The demographic assumptions adopted for this assessment are those adopted at the most recent valuation as at 29 April 2005.

H. Notes

- 1) This Statement is based on the results of the actuarial valuation carried out as at 29 April 2005 and the full membership data available as at that date, recalculated on a real yield of 2.8% pa. Approximate updating has been used for the subsequent period to 31 March 2006 to reflect known changes that have occurred during the intervening period, based on the available data. The results should be viewed as a reasonable assessment of the order of magnitude of the liabilities, rather than a full actuarial assessment.
- 2) The pension benefits taken into account in this assessment are those normally provided from the rules of the NSPS scheme, including retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member.

Government Actuary's Department
21 September 2006

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance and Personnel has directed the North/South Pension Scheme to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

With the exception of certain transactions (which are accounted for on a cash basis) the financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the scheme during the year and the disposition, at the end of the financial year, of the net liabilities. Note 2 "Accounting Policies" to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the net liabilities at the year end.

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

- Observe the accounts direction issued by the Department of Finance and Personnel 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.

The Department of Finance and Personnel has appointed the Permanent Head of the Department, John Hunter, as the Principal Accounting Officer for the North/South Pension Scheme. Bruce Robinson, who was appointed as Second Permanent Secretary in January 2006, has been appointed Additional Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme are set out in the Accounting Officers' Memorandum issued by DFP and published in Government Accounting Northern Ireland.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting Northern Ireland*.

All relevant internal control considerations, including any issues of risk, are taken into account with regard to the achievement of departmental policies, aims and objectives and, where necessary, are brought to the attention of the Minister.

The Head of Internal Audit provides a written report to the Departmental Accounting Officer, timed to support this Statement on Internal Control, on the overall adequacy and effectiveness of the Department's risk management, control and governance process.

In addition, the North South Pension Scheme CEO Pension Committee members have responsibility for ensuring that the Committee complies with any statutory or administrative requirements. These important responsibilities include :

- Ensuring the high standards of Corporate Governance are observed at all times.
- Overseeing the delivery of planned results by monitoring performance against agreed objectives and targets.
- Ensuring the Committee operates within the limits of its delegated authority and in accordance with any other conditions relating to the use of public funds.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Department of Finance and Personnel's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in the Department of Finance and Personnel for the period ended 31 March 2006 and up to the date of approval of the annual report and accounts of the North/South Pension Scheme, and accords with DFP guidance.

Capacity to handle risk

The Department's capacity to manage risk is established through the risk and control framework and the increasing experience of managers in the risk management process. Core Directors, senior managers and Agency Chief Executives provide leadership to the risk management process in their particular areas of responsibility and also corporately through their involvement in the Departmental Board, the Departmental Advisory Group and the Departmental Audit and Risk Committee.

Guidance and legislation issued centrally is communicated to staff for implementation, as appropriate. Where this impacts on the business of an agency or departmental directorate, either as a new requirement or as a change to existing processes, it is considered in the wider context of the agency/directorate business plan and risk register. Where significant, the risk is documented in the risk register and ownership allocated and reviewed on an ongoing basis.

Training in the area of risk management was previously provided to managers; and following a review of Corporate Governance arrangements within the Department, and the production of a Departmental Policy and Framework Document for Risk Management, additional risk management training has been progressed during the 2005-06 financial year, and will continue during the 2006-07 financial year.

The risk and control framework

Risk management has been incorporated into the corporate planning and decision-making processes of the Department. During the 2005-06 year the Departmental Board endorsed the Department's Policy and Framework for Risk Management. The document defines the framework and describes the process for identifying and managing risks within the Department. In compiling risks, business areas are required to review risks against objectives and targets and document the outcome in a risk register.

The management board has ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on:

Each business area prioritises risk against pre-determined weightings to reduce subjectivity in assessing risk;

Key risks identified at agency/directorate level are documented on risk registers and are reviewed formally at least twice a year at business area Audit and Risk Committees (ARCs);

The Departmental Risk Register is updated and reviewed by the Departmental Audit and Risk Committee at least three times a year. During the course of the year the Terms of Reference for the Departmental Audit and Risk Committee was updated and approved by the Departmental Board. The membership of the Committee was revised in line with the new Terms of Reference. Membership is by rotation of core directors and agency chief executives, with the Director of Corporate Services and the Treasury Officer of Accounts as permanent members. The Committee, which is chaired by an independent non-executive member of the Departmental Board, assesses the continued appropriateness of risks, and the means through which they are managed. Also, the need to add, delete, relegate or promote risks is also determined in order to reflect the current business environment;

Agency chief executives and senior management of the core directorates complete stewardship statements at the end of each financial year. Mid-year reports are the vehicle for ensuring the continued maintenance of registers during the year.

In addition a separate year-end stewardship statement, specific to the N/SPS, was completed by the Accounting Officers of those Departments that sponsored North/South Bodies in 2005-06; this acknowledged their responsibility for the stewardship of the N/SPS within the North/South Bodies that they sponsored.

Furthermore, the CEO Pension Committee completed an assurance statement acknowledging their responsibility for managing and monitoring the administration of the N/SPS on behalf of its members.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department of Finance and Personnel who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

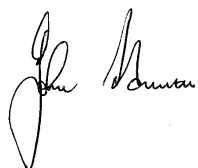
A number of elements that contribute to the review of effectiveness of the system of internal control include:

- Taking account of the unique arrangements of the newly established Pension Scheme Account, additional work was carried out by Sponsor Bodies to validate the underlying non-financial data;
- The CEO Pension Committee has agreed to appoint a Scheme Internal Auditor, and establish an internal audit/risk management committee, as a subcommittee reporting to the CEO Pension Committee;
- The Chairman of the CEO Pension Committee, on behalf of the Committee has also sought and received an assurance statement from the scheme administrator regarding its systems and controls;
- As a result of a Review of the Department's Corporate Governance arrangements in September 2004, a number of actions took place, including:
 - The membership and roles of the Departmental Board and Departmental Advisory Group were reviewed;
 - The appointment of two Non-Executive Directors to the Board from 1 April 2005; and
 - The production of a Business Diary to help inform the agenda for meetings of the Departmental Board;
- A further review of corporate governance, including the completion of self-assessment questionnaires, was carried out during 2005-06. Recommendations from this review were approved by the Departmental Board on 6 March 2006 and work is currently under way to implement them;
- The Departmental Board which exercises authority at a corporate level within the Department and comprises the Accounting Officer, Additional Accounting Officer (who joined the Department in January 2006), the Chief Executive of the Valuation and Lands Agency, the Departmental Solicitor, the Personnel Director, the Finance Director and the senior managers within the core directorates. The Board is

supported in an advisory and consultative capacity by the Departmental Advisory Group (DAG), comprising a wider group of senior managers, including Chief Executives of the Department's executive agencies. During the year the Departmental Board met separately on 11 occasions and DAG on 3 occasions. This was augmented by a series of weekly and ad-hoc meetings attended by key senior staff, including meetings of the Senior Managers Forum;

- The Department has a properly constituted Departmental Audit and Risk Committee which meets at least three times a year, and receives periodic reports concerning internal control. It provides oversight in ensuring that appropriate steps are being taken to manage risks in significant areas of responsibility and monitoring progress, including a review of stewardship assurance statements completed by heads of business areas. From July 2005 the Departmental Audit and Risk Committee has been chaired by a non-executive member of the Departmental Board;
- The Department's Internal Audit Unit, which is independent from executive responsibilities and has a direct line of reporting to the non-executive chair of the Audit Committee, operates to standards defined in the Government Internal Audit Manual. Regular reports are submitted, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement. Internal Audit also incorporates reviews of corporate governance arrangements in periodic plans. An Internal Audit Review of Corporate Governance commenced towards the end of the 2005-06 financial year, and a draft report issued 19th May 2006. This report, while still to be finalised, indicates that they are satisfied that the Department is in compliance with the relevant guidance and is generally complying with best practice; and
- The integrated business planning application incorporating risk management functionality introduced last year is currently being reviewed and upgraded.

In the Department's 2005-06 Annual Assurance Statement, the Head of Internal Audit concluded that, overall, a substantial level of assurance can be placed on DFP internal control systems. While no significant internal control problems were identified, some individual issues were highlighted for improvement and the Department has agreed to redress these concerns expeditiously.



JOHN HUNTER
Accounting Officer
Department of Finance & Personnel

Date: 26 October 2006

North/South Pension Scheme

The Certificate of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements of the North/South Pension Scheme for the 11 month period ended 31st March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Revenue Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, the Annual Report is not consistent with the Actuary's Report, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 14 to 17 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Managers and the Report of the Actuary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in

the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

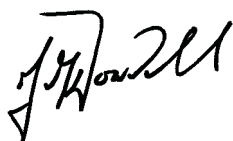
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the Scheme for the 11 month period ending 31st March 2006, the net resources, the net outgoings, recognised gains and losses and the cash requirement for the year and the amount and disposition at that date of its assets and liabilities, and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel;
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

27th October 2006

NORTH/SOUTH PENSION SCHEME RESOURCE ACCOUNT

STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource Outturn for the 11 month period ended 31 March 2006

		11 month period ended 31 March 2006						
		ESTIMATE			OUTTURN			
Request for Resources	Note	Gross Expenditure	Accruing Resources	NET TOTAL	Gross Expenditure	Accruing Resources	NET TOTAL	Net Total outturn compared with Estimate: saving/(excess)
		£000	£000	£000	£000	£000	£000	£000
AME: Pensions, lump sums and gratuities		47,000	32,000	15,000	1,775	586	1,189	13,811
Total Resources	3	47,000	32,000	15,000	1,775	586	1,189	13,811

Summary of net cash requirement for the 11 month period ended 31 March 2006

		11 month period ended 31 March 2006		
Request for Resources	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess)
		£000	£000	£000
Net cash requirement	4	13,200	-	13,200

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the pension scheme and is payable to the Consolidated Fund (cash receipts being shown in italics)

		11 month period ended 31 March 2006			
		Forecast		Outturn	
Request for Resources	Note	Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Total	5	-	-	1,826	<i>1,826</i>

The notes on pages 25 to 41 form part of these accounts.

Explanation of the variation between Estimate and outturn and of the variation between estimate net cash requirement and outturn net cash requirement:

The North/South Pension Scheme became operational with effect from 29 April 2005. When the Spring Supplementary Estimate was being prepared no figures were available on the value of transfers in due or on the magnitude of the Scheme liability. Furthermore the accounting treatment and basis of recognition of the opening liability had not yet been agreed. Consequently, the Estimate was prepared to ensure sufficient cover for the net of the Northern Ireland share of the increase in scheme liabilities, between 29 April 2005 and 31 March 2006, the interest on those liabilities, and the Northern Ireland share of Scheme income.

**NORTH/SOUTH PENSION SCHEME
RESOURCE ACCOUNT**

REVENUE ACCOUNT

For the 11 month period ended 31 March 2006

	Note	11 months ending 31 March 2006 £000
Income		
Contributions receivable	7	586
Transfers in	8	-
Other pension income	9	-
		<hr style="width: 100%;"/>
		586
Outgoings		
Pension cost	10	(1,135)
Enhancements	11	-
Transfers in	12	-
Interest on scheme liabilities	13	(640)
		<hr style="width: 100%;"/>
		(1,775)
		<hr style="width: 100%;"/>
Net Outgoings for the Period	3	(1,189)

**Statement of Recognised Gains and Losses
For the 11 month period ended 31 March 2006**

		11 months ending 31 March 2006 £000
Actuarial loss		303
		<hr style="width: 100%;"/>
Recognised gains and losses for the Period		303

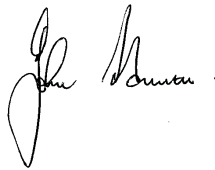
The notes on pages 25 to 41 form part of these accounts.

**NORTH/SOUTH PENSION SCHEME
RESOURCE ACCOUNT**

BALANCE SHEET as at 31 March 2006

	Note	2006 £000
Current assets:		
Debtors	15	4,481
Cash at bank and in hand	16	1,826
		<hr style="width: 100%; border: 0.5px solid black;"/>
		6,307
 Creditors (amounts falling due within one year)	 17	 (2,247)
 Net current assets, excluding pension liability		 4,060
 Pension liability	 18.5	 (13,602)
		<hr style="width: 100%; border: 0.5px solid black;"/>
 Net liabilities, including pension liabilities		 (9,542)
 Taxpayers' equity:		
General fund	19	(9,542)
		<hr style="width: 100%; border: 0.5px solid black;"/>
		(9,542)

Signed:



Accounting Officer

Date:

26 October 2006

The notes on pages 25 to 41 form part of these accounts.

**NORTH/SOUTH PENSION SCHEME
RESOURCE ACCOUNT**

CASH FLOW STATEMENT
For the 11 month period ended 31 March 2006

	Note	11 months ending 31 March 2006 £000
Net cash inflow from operating activities	20(a)	1,826
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-
Payments of amounts due to the Consolidated Fund		-
Financing	20(b)	-
Increase in cash in the period	20(c)	<u>1,826</u>

The notes on pages 25 to 41 form part of these accounts.

NORTH/SOUTH PENSION SCHEME RESOURCE ACCOUNT

NOTES TO THE SCHEME STATEMENT

Annual Report and Accounts for the 11 month period ended 31 March 2006

1. Basis of preparation of the scheme statement

The scheme statements have been prepared in accordance with the relevant provisions of the 2005-06 *Government Financial Reporting Manual* (FReM) issued by the Department of Finance and Personnel, which reflect the requirements of Financial Reporting Standard (FRS) 17 *Retirement Benefits*. These accounts show the unfunded pension liability and movements in that liability during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes* to the extent that these are appropriate.

In addition to the primary statements prepared under UK GAAP, 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 *North/South Pension Scheme*

The scheme statement summarises the transactions of the northern share of the North/South Pension Scheme. The Balance sheet shows the deficit on the scheme; the Revenue account shows, inter alia, the movements in the liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. The actuarial position of the pension scheme is dealt with in the Report of the Actuary and the scheme statement should be read in conjunction with that Report.

2. Statement of accounting policies

The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be 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 accounts.

2.1 *Accounting convention*

These accounts have been prepared under the historical cost convention modified to account for the revaluation of any current asset investments.

2.2 *Pension contributions receivable*

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

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

2.3 *Transfers in and out*

Transfers in and out are generally accounted for on a cash basis. However, where the scheme has formally accepted or transferred a liability, for example in the case of a group transfer, transfers are accounted for on an accruals basis.

Transfers in are simultaneously recognised as income and expenditure (i.e. the increase in the scheme liability is accounted for at the same time as the associated income).

Any material transfers that have been agreed but not settled at the balance sheet date, or which are still under negotiation, are disclosed by way of a narrative note.

2.4 *Other income*

Other income is accounted for on an accruals basis.

2.5 *Current service cost*

The current service cost is the increase in the present value of the scheme liabilities arising from employee service in the current period. The cost is currently based on a discount rate of 2.8% real (i.e. 5.4% including inflation), and is recognised in the Revenue Account.

2.6 *Past service cost*

The past service cost is the increase 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.

2.7 *Interest on scheme liabilities*

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement. The interest cost is based on a discount rate of 2.8% real, (i.e. 5.4% including inflation), and is recognised in the Revenue Account.

2.8 *Other payments*

Other payments are accounted for on an accruals basis.

2.9 *Scheme liability*

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected accrued benefits method, with allowance for expected future pay increases in respect of active members, and is discounted at 2.8% real (i.e. 5.4% after inflation).

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. In the intervening periods the actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions.

2.10 *Pension benefits payable*

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

2.11 *Pension payments to those retiring at their normal retirement age*

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

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

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

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

2.13 *Injury benefits*

An Injury Benefits Scheme is currently being established. Injury benefits will be accounted for on an accruals basis.

2.14 Lump sums payable on death in service

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

2.15 Actuarial gains/losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Recognised Gains and Losses for the year.

2.16 Additional voluntary contributions

Additional Voluntary Contributions ('AVCs') are deducted from employees' salaries and are paid over directly by the employers to the approved AVC providers. These are recorded by way of a note to the scheme statements.

2.17 Administration expenses

All costs of administering the North/South Pension Scheme are borne by the North/South Bodies.

3. Reconciliation of Estimates, accounts and budgets

3(a) Reconciliation of net resource outturn to net outgoings		11 months ending 31 March 2006		
	Note	Outturn £000	Supply estimate £000	Outturn compared with Estimate £000
Net resource outturn		1,189	15,000	13,811
Non-supply Income (CFERs)	5	-	-	-
Net Outgoings		<u>1,189</u>	<u>15,000</u>	<u>13,811</u>

3(b) Outturn against final Administration Budget		11 months ending 31 March 2006	
		Budget £000	Outturn £000
Voted in Estimates		15,000	1,189
Non-voted		-	-
Total outturn against final Administration Budget		<u>15,000</u>	<u>1,189</u>

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: saving (excess) £000
Net resource outturn	3(a)	15,000	1,189	13,811
Accruals adjustments				
Non-cash items		(47,000)	(1,775)	(48,775)
Changes in working capital other than cash		45,000	(1,313)	43,687
Changes in creditors falling due after more than one year		-	-	-
Use of provision		200	73	273
Excess cash receipts surrenderable to the Consolidated Fund	5	-	1,826	(1,826)
Net Cash Requirement		13,200	-	13,200

5. Analysis of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Note	11 months ending 31 March 2006			
		Forecast £000		Outturn £000	
		Income	Receipts	Income	Receipts
Operating income and receipts - excess ARs	6	-	-	-	-
Other operating income and receipts not classified as ARs		-	-	-	-
Non-operating income and receipts - excess ARs		-	-	-	-
Other non-operating income and receipts not classified as ARs		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	1,826	1,826
Total income payable to the Consolidated Fund		-	-	1,826	1,826

6. Reconciliation of income recorded within the Revenue Account to operating income payable to the Consolidated Fund

		11 months ending 31 March 2006 £000
	Note	
Operating income		586
Adjustment for transactions between RfRs		-
Gross income		<u>586</u>
Income authorised to be accruing resources		32,000
Operating income payable to the Consolidated Fund	5	<u>-</u>

7. Pension contributions receivable

		11 months ending 31 March 2006 £000
Employers		516
Employees:		
Normal		70
Purchase of added years		-
		<u>586</u>

8. Pension transfers-in (see also note 12)

		11 months ending 31 March 2006 £000
Group transfers in from other schemes		-
Individual transfers in from other schemes		-
		<u>-</u>

The opening scheme valuation at 29 April 2005 includes a liability in respect of service to be transferred in from Reserved Rights and Club schemes at that date. These amounts have been recognised on an accruals basis as the scheme has formally accepted liability. There have been a further 8 individual transfers in for members who joined the scheme after 29 April 2005. These transfers have been accounted for on a cash basis, in accordance with the stated accounting policy, and as such fall to be recognised in 2006-07 when the cash is received by the Scheme.

9. Other pension income

There was no other pension income recognised in the financial period.

10. Pension Cost

		11 months ending 31 March 2006 Note £000
Current Service Cost	18.5	1,135
		<hr/>
		1,135

11. Enhancements (*see also note 18.5*)

The Purchase of Added Years Scheme had not been formally approved as at 31 March 2006. As such there were no enhancements to service made in the period ending 31 March 2006.

12. Transfers in (*see also note 8*)

	11 months ending 31 March 2006 £000
Group transfers in from other schemes	-
Individual transfers in from other schemes	-
	<hr/>
	-

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

The opening scheme valuation at 29 April 2005 includes a liability in respect of service to be transferred in from Reserved Rights and Club schemes at that date. These amounts have been recognised on an accruals basis as the scheme has formally accepted liability. There have been a further 8 individual transfers in for members who joined the scheme after 29 April 2005. These transfers have been accounted for on a cash basis, in accordance with the stated accounting policy, and as such fall to be recognised in 2006-07 when the cash is received by the Scheme.

13. Interest on scheme liabilities (see also note 18.5)

	11 months ending 31 March 2006 £000
Interest charge for the year	640
	<hr/>
	640

14. Additional Voluntary Contributions

14.1 The North/South Pension Scheme will provide for employees to make additional voluntary contributions (AVC's) to supplement their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to the approved providers (the Prudential in the North and Irish Life and Friends First in the South). The Managers of the North/South Pension Scheme are responsible only for the payments made to approved providers. These transactions are not recorded in the main pension scheme statements. Instead, they are recorded by way of a note to the scheme statements. Members participating in this arrangement will each receive an annual statement, made up to 31 March in the North and 31 December in the South, from the approved provider confirming the amounts held to the account and the movements in the year.

14.2 During the year **£Nil** was paid to the approved providers.

15. Debtors – contributions due in respect of pensions

15(a) Analysis by type 2005-06 £000

Amounts falling due within one year:	
Pension contributions due from employers	437
Employees' normal contributions	111
Other Debtors - Transfers in	3,900
Other Debtors	14
Amount due from Consolidated Fund in respect of supply	-
	<u>4,462</u>

Amounts falling due after more than one year:

Employees' normal contributions	19
	<u>4,481</u>

Included within these figures is £Nil that will be due to the Consolidated Fund once the debts are collected.

15(b) Intra-Government Balances

	Amounts falling due within one year 2005-06 £000	Amounts falling due after more than one year 2005-06 £000
--	---	--

Balances with other central government bodies	4,351	-
Balances with bodies external to government	111	19
At 31 March	<u>4,462</u>	<u>19</u>

16. Cash at bank and in hand

	2005-06 £000
Balance at 29 April	-
Net change in cash balances	1,826
Balance at 31 March	<u>1,826</u>

The following balances at 31 March were held at:

Office of HM Paymaster General	-
Commercial banks and cash in hand	1,826
Balance at 31 March	<u>1,826</u>

17. Creditors – in respect of pensions

17(a) Analysis by type		2005-06
		£000
Amounts falling due within one year:		
Pensions		5
Overpaid contributions: employers		220
Other creditors		196
Amounts issued from the Consolidated Fund for supply but not spent at year-end		-
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:		
Received		-
Receivable		-
Excess cash receipts surrenderable to the Consolidated Fund		1,826
		2,247

17(b) Intra-Government Balances	Amounts	Amounts
	falling due	falling due
	within one	after more
	year	than one year
	2005-06	2005-06
	£000	£000
Balances with other central government bodies	2,046	-
Balances with bodies external to government	201	-
At 31 March	2,247	-

18. Provision for Pension Liabilities

18.1 The North/South Pension Scheme is an unfunded defined benefit scheme. A full actuarial valuation was carried out as at 29 April 2005 by the Government Actuaries Department; this valuation was reviewed and updated by the actuary at 31 March 2006. The major assumptions used by the Actuary were:

	At	At
	31 March	29 April
	2006	2005
	%	%
Rate of increase in salaries	4 %	4 %
Rate of increase in pensions in payment and deferred pensions	2.5 %	2.5 %
Discount rate	5.3 %	5.3 %
Inflation assumption	2.5 %	2.5 %

18.2 The scheme managers are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of:

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

18.3 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 far 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.

18.4 The value of the liability on the balance sheet 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 notes 18.8 and 18.9. 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.

18.5 Analysis of movements in the scheme liability

The Scheme has members in both Northern and Southern jurisdictions. The cost will be financed by the appropriate Government Departments, North and South, on the basis of the non-capital funding ratio for the Body concerned, adjusted, where appropriate, to take account of an individual's prior reckonable service for pension purposes. These accounts relate to the northern share of the Scheme liabilities only.

The full scheme liability has been calculated by GAD as £66.9m, of which £13.6m is Northern and £53.3m is Southern.

	Note	2005-06 £000
Scheme Liability at 29 April		-
Opening balance adjustment		11,597
Revised opening liability		<u>11,597</u>
Current service cost	10	1,135
Interest on scheme liability	13	640
Enhancements	11	-
Pension transfers in	12	-
Benefits payable	18.6	(73)
Pension payments to and on account of leavers	18.7	-
Actuarial loss	18.8	303
Scheme liability at 31 March		<u>13,602</u>

During the 11 months ended 31 March 2006, contributions represented 15% of the northern share of pensionable pay. Increased contribution rates, calculated by the Government Actuary's Department following the Scheme valuation, will be applied with effect from 1st April 2007.

Details of the opening balance adjustment can be found in Note 19 'General Fund'.

18.6 Analysis of benefits paid

	2005-06 £000
Pensions or annuities to retired employees and dependants (net of recoveries of overpayments)	34
Commutations and lump sum benefits on retirement	39
Per Cash flow statement	<u>73</u>

18.7 Analysis of payments to and on account of leavers

	2005-06 £000
Refunds to members leaving service	-
Group transfers to other schemes	-
Individual transfers to other schemes	-
	<hr/>
Per cash flow statement	-

18.8 Analysis of actuarial (loss)

	2005-06 £000
Experience (losses) arising on the scheme liabilities	(303)
Changes in assumptions underlying the present value of scheme liabilities	-
	<hr/>
Per Statement of Recognised Gains and Losses	(303)

18.9 History of Experience gains /(losses)

	2005-06
Experience losses on scheme liabilities	
Amount (£000)	(303)
Percentage of the present value of the scheme liabilities	2.2%
Total amount recognised in statement of total gains and losses	
Amount (£000)	(303)
Percentage of the present value of the scheme liabilities	2.2%

19. General Fund

The General Fund represents the total assets less liabilities of the pension scheme, to the extent that the total is not represented by other reserves and financing items.

	2005-06 £000
Balance at 29 April	-
Opening balance adjustment	6,224
Adjusted Opening Balance	<u>6,224</u>
Net Parliamentary Funding	
Drawn down	-
Deemed	-
Year end adjustment	
Supply Creditor/(Debtor) - current year	-
Net Transfer from Operating Activities	
Net Outgoings	1,189
CFERS repayable to Consolidated Fund	-
Excess cash surrenderable to the Consolidated Fund	1,826
Actuarial losses (SRGL)	303
Balance at 31 March	<u>9,542</u>

The Government Actuary's Department prepared an opening Scheme valuation as at 29 April 2005; this opening valuation has been accounted for through the balance sheet by the recognition of:

- A debtor of £5.5m in respect of backdated employee and employer contributions, and amounts due to be transferred in re the opening valuation;
- A creditor of £0.127m for the amounts due to N/S Bodies in respect of ex gratia payments made prior to the commencement of the Scheme;
- A provision of £11.597m to recognise the northern share of the pension scheme liability as at 29 April 2005 (this will include the liability arising from bulk transfers from Reserved Rights Schemes and individual transfers from Club Schemes); and
- An opening balance adjustment of £6.224m through the general fund. This will represent any actuarial gains/losses on the Scheme, including the financial strain on receipt of Club and Reserved Rights transfers and the STEP increase as a result of the change in the discount rate as at 1 April 2005.

Notes to the Cash Flow Statement

20(a) Reconciliation of net outgoings to operating cash flows

	Note	2005-06 £000
Net outgoings for the year		(1,189)
Adjustments for non-cash transactions		-
(Increase)/Decrease in Debtors		1,019
<i>Less movements in debtors relating to items not passing through the revenue account</i>		-
Increase/(Decrease) in Creditors: pensions		2,120
<i>Less movements in creditors relating to items not passing through the revenue account</i>		(1,826)
Increase in pension provision	18.5	1,775
Increase in pension provision - enhancements and transfers in	18.5	-
Use of provisions - pension liability	18.6	(73)
Use of provisions - death in service	18.6	-
Net cash inflow from operating activities		<u>1,826</u>

20(b) Analysis of financing and reconciliation to the net cash requirement

	2005-06 £000
From the Consolidated Fund (Supply) - current year	-
From the Consolidated Fund (Supply) - prior year	-
Net financing	-
Adjustments for payments and receipts not related to Supply	-
Net cash requirement per Statement of Parliamentary Supply	<u>-</u>

20(c) Reconciliation of Net Cash Requirement to increase in cash

	2005-06 £000
Net cash requirement	-
From the Consolidated Fund (Supply) - current year	-
From the Consolidated Fund (Supply) - prior year	-
Amounts due to the Consolidated Fund received and not paid	1,826
Increase in cash	<u>1,826</u>

21. Financial Instruments

FRS 13 *Derivatives and Other Financial Instruments* requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the North/South Pension Scheme is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

Liquidity risk

Resources voted by Parliament finance the northern share of the North/South Pension Scheme's net revenue resource requirements. The North/South Pension Scheme is not therefore exposed to significant liquidity risks.

Interest Rate risk

All of the North/South Pension Scheme's financial assets and liabilities carry nil or fixed rates of interest. The Scheme is not therefore exposed to any interest rate risk.

22. Contingent Liabilities disclosed under FRS 12

There are no contingent liabilities to be disclosed under FRS 12.

23. Losses and Special Payments

Total losses were less than **£250k** for 05-06. In accordance with DAO (DFP) 10/05, no further disclosure is required.

24. Related-Party Transactions

The northern share of the North/South Pension Scheme falls within the ambit of the Department of Finance and Personnel, which is regarded as a related party. During the year, the Scheme has had material transactions with the Department and other departments and North/South Bodies whose employees are members of the Scheme. None of the managers of the Scheme, key managerial staff or other related parties have undertaken any material transactions with the Scheme during the year.

