

**Department of Health, Social Services
and Public Safety**

**HPSS Superannuation Scheme Resource Accounts
For the year ended 31 March 2005**

*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 2005

*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 2005

*Ordered by The House of Commons to be printed
15 November 2005*

HC 492

LONDON: The Stationery Office

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NIA 243/03

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THE HPSS SUPERANNUATION SCHEME

1. The Department of Health, Social Services and Public Safety is responsible for managing the HPSS Superannuation Scheme, whose members comprise the employees of the Health and Social Services Boards and Trusts, as well as a number of other health-related bodies.

Chapters 4.5 and 15.3 of the Northern Ireland Resource Accounting Manual require pension schemes to publish scheme statements which conform as far as possible to the provisions of Statement of Recommended Practice "Financial Reports of Pension Schemes." As noted in paragraph 15.3.6 of the manual, for 2003-04 onwards, pension scheme statements which fall within the resource accounting boundary will recognise the pension scheme liability in accordance with the requirements of FRS 17.

2. The statement for the HPSS Superannuation Scheme comprises:
 - a. Report of the Scheme Managers;
 - b. Report of the Actuary;
 - c. Statement of the Accounting Officer's Responsibilities;
 - d. Statement on the System of Internal Control;
 - e. Auditor's Report;
 - f. Summary of Resource Outturn (also described as 'Schedule 1');
 - g. Revenue Account (also described as 'Schedule 2');
 - h. Balance Sheet (also described as 'Schedule 3');
 - i. Cash Flow Statement (also described as 'Schedule 4'); and
 - j. Notes to the Scheme Statement.

REPORT OF THE SCHEME MANAGERS

Accounts for the year ended 31 March 2005

Introduction

The HPSS Superannuation Scheme is an unfunded, contributory, voluntary membership Scheme administered by the Department of Health, Social Services and Public Safety. The current regulations under which the Scheme operates are the Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995.

The Regulations apply to the employees of the Health and Personal Social Services bodies, the principal employer, although the employees of a number of other bodies are also permitted to join.

Further information about the Scheme is given in the explanatory booklet published in June 2002, which is issued to all members.

Managers, Advisers and Employers

Managers

Accounting Officer: DC Gowdy, Permanent Secretary,
Department of Health, Social Services and Public Safety,
Castle Buildings, Stormont Estate, Belfast, BT4 3SQ

Scheme Administrator: Department of Health, Social Services and Public Safety,
Castle Buildings, Stormont Estate, Belfast, BT4 3SQ

Mr Gowdy retired on 31 July 2005. He was replaced by Dr Andrew McCormick, who took up his post on 1 August 2005.

Advisers

Pension Scheme Actuary: Government Actuary's Department,
22 Kingsway, London, WC2B 6LE

Auditors: Northern Ireland Audit Office,
106 University Street, Belfast, BT7 1EU

**HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005**

Employers

Principal employers:

Health and Social Services Boards; and
Health and Social Services Trusts.

Additional bodies permitted to join:

General Practitioners;
Staff employed by General Medical Practitioners; and
Direction Bodies.

Changes to the Scheme

Pensions were increased by 2.8% with effect from 12 April 2004. Employee contribution rates remained the same at 6% and employer contribution rates remained the same at 7%.

Notional transfers

During the year, the following notional transfers were made between the Scheme and equivalent Schemes for the Department of Education and the Northern Ireland Civil Service:

	2004/05		2003/04	
	Cases	£000	Cases	£000
Transfers to the Department of Education	1	3	5	140
Transfers to the Northern Ireland Civil Service	16	477	29	1230
	17	480	34	1,370
Transfers from the Department of Education	2	128	4	38
Transfers from the Northern Ireland Civil Service	21	146	10	194
	23	274	14	232

Post balance sheet events

There are no post balance sheet events.

**HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005**

Membership statistics

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

Active members

Active members at 1 April 2004	49,654
add: New entrants in the year	4,187
Transfers in	609
less: Retirements in the year	(889)
Transfers out	(233)
Deaths	(29)
Active members at 31 March 2005	<u>53,299</u>

Deferred members

Deferred members at 1 April 2004	11,850
add: Members leaving who have deferred pension rights	454
less: Members taking up deferred pension rights	(377)
Deferred members at 31 March 2005	<u>11,927</u>

Pensioners in payment

	Members	Dependants	Total
Pensioners in payment at 1 April 2004	10,631	2,807	13,438
Members retiring in year at normal retiring age	190		190
Members retiring in year, previously in receipt of compensation payments	33		33
New dependants		184	184
Deaths in year	(424)	(141)	(565)
Pensioners in payment at 31 March 2005	<u>10,430</u>	<u>2,850</u>	<u>13,280</u>

Compensation payments

Members in receipt of compensation payments at 1 April 2004	2,410
add: Members leaving under early retirement schemes during the year	8
less: Members reaching normal retirement age during the year	(33)
Members in receipt of compensation payments at 31 March 2005	<u>2,385</u>

**HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005**

Ill health retirement

Ill health retirement members at 1 April 2004	7,322
add: Members retiring on ill health grounds	314
less: Deaths in year	(131)
Ill health members at 31 March 2005	<u>7,505</u>

Financial commentary

The movements in the Scheme during the year are summarised in the Revenue Account (Schedule 2) and net outgoings for the year are £366,176k.

Income mainly comprises contributions from employers (who are defined per page 3 above), of £79,912k and employee contributions of £66,332k. Other receipts include transfers in of £9,570k from other Schemes and other pension income of £175k per Note 5 to the accounts.

The charge to the Revenue account now recognises the movements in the scheme liability (other than those arising from actuarial gains and losses). This comprises the current service cost £250,000k, enhancements of £2,000k, transfers in £9,570k and interest on the scheme liabilities £260,000k. Payments include other pension expenditure of £595k per Note 10 to the accounts.

Further information

Any enquiries about the HPSS Superannuation Scheme should be addressed to:

HPSS Superannuation Branch
Department of Health, Social Services and Public Safety
Waterside House
75 Duke Street
Derry
County Londonderry
BT67 1FP

REPORT OF THE ACTUARY

Accounts for the year ended 31 March 2005

A. Liabilities

The capitalised value as at 31 March 2005 of expected future benefit payments under the HPSS Superannuation Scheme, for benefits accrued in respect of employment (or former employment) prior to 31 March 2005, has been estimated using the methodology and assumptions set out in Sections C and D below. The results are as follows:

Value of Liabilities	<u>£ billion</u>
Pensions in Payment	1.7
Deferred Pensions	0.2
Active Members (Past Service)	<u>3.7</u>
Total	5.6

B. Accruing Costs

The cost of benefits accruing for each year of service is met partly by a specified contribution from members, with the employer meeting the balance of the cost of the benefits. The cost of the increases to benefits in line with the Retail Prices Index, after leaving service, is met by the Exchequer. The total cost of benefits accruing in the year 2004-05 have been assessed using the methodology and assumptions set out in Sections C and D below. The results are as follows:

	<u>% of Pensionable Pay</u>
Current Service Cost	21.5%
Average Members' Contribution Rate	5.9%
Employer's share of Current Service cost	15.6%
Actual rate charged to employers for current year	7%

The actual rate charged of 7% is the rate recommended in my 1999 valuation report. This contribution rate is significantly lower than the standard cost of 21.5% because the actual contribution rate excludes the cost of pension increases.

In relation to the pensionable payroll for the financial year, the employers' charges at 7% in cash terms were £0.076 billion for the financial year 2004-05. The Current Service Cost disclosed in the scheme accounts was £0.25 billion, and includes an allowance for the expected impact of Agenda for Change.

C. **Methodology**

The value of the liabilities has been obtained using the projected unit method with a one year control period, which allows for expected future pay increases in respect of active members. The liabilities and standard contribution rate include pension increases awarded since leaving service for pensioners and deferreds, plus allowance for future pension increases for all categories of member.

D. **Assumptions**

The principal financial assumptions adopted for the pension assessments made in relation to this Statement are an investment return in excess of price increases of 3½% p.a. (most pension benefits under the scheme are increased in line with prices), and an investment return in excess of earnings increases of 2% p.a.

The gross rate of return is assumed to be 6% a year, although this assumption has only a minor impact on the calculation of the liability. In nominal terms these assumptions are then equivalent to an allowance for increases in salaries of 4% a year and an allowance for price inflation of 2.5% a year.

The demographic assumptions adopted for the assessments are derived from the specific experience of the membership of the scheme to 31 March 2003, and other similar large public service pension schemes where some aspect of the experience is not readily available. Allowance has been made for the expected impact of Agenda for Change and the atypically high dynamisation factors, which are used to revalue General Medical Practitioners' accrued benefits, over the three year period ending 31 March 2006.

E. **Notes**

(1) Sections A and B of this Statement are based on the results of an actuarial assessment carried out as at 31 March 2003 for the purposes of FRS 17, with an approximate updating for the subsequent financial years to reflect known changes that have occurred between 1 April 2003 and 31 March 2005, based on the available data. The method assumes that the profile of the membership has remained stable within the period, which may not necessarily be the case, and so the results should be viewed as an indication of the order of magnitude of the liabilities rather than a full actuarial assessment.

(2) The actual rate charged to employers for 2004/05 at 7.0% of pensionable pay follows the recommendations made at the 1999 funding valuation. This excludes the cost of pension increases which is not borne by the scheme at present. The next funding valuation is due as at 31 March 2004.

- (3) The pension benefits taken into account in this assessment are those normally provided from the rules of the scheme, including normal retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. The assessments do not include the cost of injury benefits (in excess of ill-health benefits), or premature retirement benefits awarded on redundancy, other than where latter are pre-funded by employers.

**Ian A Boonin FIA
Chief Actuary
Government Actuary's Department
London**

19 September 2005

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Accounting Officer is required to prepare a financial statement for pension in the form and on the basis determined by the Department of Finance and Personnel.

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 show 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 these financial statements, the Accounting Officer is required to satisfy himself that:

- suitable accounting policies have been selected and consistently applied;
- the financial statements have been prepared on a going concern basis, unless it is inappropriate to presume that the Scheme will continue in operation;
- reasonable and prudent judgements and estimates have been made; and
- applicable accounting standards have been followed, in accordance with the guidelines set out by the Department of Finance and Personnel, subject to any material departures disclosed in the financial statements.

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 Department's assets, are set out in the Accounting Officers' memorandum issued by the Department of Finance and Personnel and published in Government Accounting Northern Ireland.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Scope of responsibility

This statement is given in respect of the Superannuation Scheme Account for 2004/05. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives set by the Department's Minister, 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. I am also required to combine these duties with my duty to serve the Minister in charge of my Department and I have particular responsibility to see that appropriate advice is tendered to the Minister on all matters of financial propriety and regularity and more broadly as to all considerations of prudent and economical administration, efficiency and effectiveness.

In providing advice to Minister the consequences of the achievement or non-achievement of particular policies and objectives are explored as part of the planning and decision making process. This process includes highlighting specific business implications or risks and, where appropriate, the measures that could be employed to manage these risks or implications.

The purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the 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 departmental 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. The system of internal control has been in place for the year ending 31 March 2005 and up to the date of approval of the annual report, and accords with the Department of Finance and Personnel guidance.

Capacity to handle risk

During 2004/05 risk management arrangements continued to be operated across the Department, its Non-Departmental Public Bodies (NDPBs) and Health Estates Agency (HEA). The risk management strategy, based on the Australia / New Zealand standard provides guidance on the risk assessment process. This involves the identification, assessment, recording and review of risks in a consistent manner across all business areas, including Superannuation Branch.

The risk and control framework

As from March 2003, the Department has had in place a Corporate Risk Register (CRR) and a Departmental Risk Management Strategy. The CRR specifies the key risks for the Department as a whole, including the identification of risks to the provision of health and personal social services and the provision of fire and rescue cover to the local population. It is reviewed twice a year by the Departmental Board, with individual risks considered on an exception basis where necessary. The in-year and end-year reports on internal control demonstrate the steps being taken to manage risks in significant areas of responsibility and monitor progress reports on key initiatives and projects.

In addition risk registers are maintained by individual Directorates and Professional Groups and by NDPBs and the HEA.

As part of an ongoing process, during 2004/05, reviews of risk registers across all business areas have been conducted in line with departmental guidance. It is intended to work closely with directorates on the continuing embedding of risk management, to build on work already done and, where possible, to simplify and streamline the processes in order to effect improvement in risk management.

Following the initial risk assessment, and subsequent reviews, the key identified risk that it is considered may impact upon the Superannuation branch relates to the need to modernise the HPSS Superannuation Scheme to meet the changing demands of the HPSS. These changing demands arise from proposed wider Government changes to the legislative framework regarding pensions, Inland Revenue's simplification measures and from changes in pay, performance, terms and conditions and working practices across the HPSS. In addition a project is underway to procure and implement a replacement HPSS Superannuation computer system. Final negotiations with suppliers are due to get underway by early autumn. The branch is identifying and closely monitoring the potential risk impacts of these developments.

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 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 and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Departmental Board has a key role in the effective corporate governance of the Department's business and monitors closely the progress in the achievement of key objectives and targets, for example those set out in the Corporate and Business Plan and the Public Service Agreement. The Board at its twice-monthly Board meetings also considers issues such as key policy proposals, budget allocations and critical issues which may have arisen.

The Department has an internal audit unit, which operates to defined standards and whose work is informed by an analysis of the risks to which the body is exposed, and annual audit plans are based on this analysis. Its remit not only includes an assessment of internal financial controls but also the wider internal control environment which applies to the achievement of Departmental objectives. It submits regular reports, 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. A robust monitoring process ensures that the Departmental Audit Committee biannually reviews progress on outstanding internal audit recommendations.

Following audit work completed over the past couple of years the Department's Head of Internal Audit has provided an assessment of limited assurance on the Superannuation Branch internal control systems. There has been a very good response by management to the audit recommendations. However a concern remains about the contingency arrangements, which did not operate as intended during the 2004 industrial action. In response to this, the dependence of the contingency arrangement on facilities in Castle Buildings has been reduced by the installation of a link between Waterside House and Northgate.

Significant Internal control problems

The Department incurred an excess vote due to the absence of information on future changes in the Scheme liability at the time of Spring Supplementary Estimates. The preparation of Estimates requires inputs from various parts of the Department, as well as information from the Government Actuary's Department, and a greater appreciation of the nature, scope and inter-relationships between the various pieces of information is required.

To achieve this, the Department's HPSS Superannuation, Resource Planning and Deployment and Financial Accounting Branches will in future be collaborating more closely to ensure that the necessary information is provided and it's implications appreciated. The Department has also contacted the Government Actuary's Department to see if estimates of future changes in the Scheme liability can be obtained in advance of Spring Supplementary Estimates being prepared.

**Dr Andrew McCormick
Accounting Officer**

25 October 2005

The Certificate and Report 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 on pages 15 to 36 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements have been prepared under the accounting policies set out on pages 21 to 23.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 9, the Accounting Officer is responsible for the preparation of 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 transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder, and 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 report whether the contributions payable to the Scheme have been paid in accordance with the Scheme rules and the recommendations of the actuary. I also report if, in my opinion, the Report of the Scheme Manager is not consistent with the financial statements, if the Department has not kept proper accounting records for the Scheme, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 10 to 12 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, except that the scope of my work was limited as explained below.

An 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 judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005

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 error, or by fraud or other irregularity 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.

As explained more fully in the attached report, Parliament authorised a Request for Resources for the Scheme in the Budget (Northern Ireland) Order 2004, the Budget (Northern Ireland) (No2) Order 2004 and the Budget (Northern Ireland) Order 2005. Net resources of £346,160,000 were authorised for Request for Resources A. Against this authorised limit, the Scheme incurred net resource expenditure of £378,324,692. as shown in Schedule 1 to the Resource Accounts for 2004 – 05 and have thus exceeded the authorised limit.

In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from expenditure in excess of amounts authorised

In my opinion :

- The financial statements give a true and fair view of the financial transactions of the Health and Personal Social Services Pension Scheme for the year ended 31 March 2005, the net outgoings, recognised gains and losses and 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 there under by the Department of Finance and Personnel;
- Except for the resource expenditure of £32,164,692 in excess of the amount authorised for Request for Resources A referred to in paragraphs 1 to 10 of my report, in all material respects the expenditure and income have been applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them;
- The contributions payable to the Scheme during the year ended 31 March 2005 have been paid in accordance with the Scheme rules as authorised by the Actuary.

See also my report on pages 37 to 39.

J M Dowdall CB
Comptroller and Auditor General

31 October 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

HPSS SUPERANNUATION SCHEME
SUMMARY OF RESOURCE OUTTURN 2004/05

	2004/05						2003/04	
	Estimate			Outturn			Net total outturn compared with Estimate: saving or (excess) £000	Prior Year Outturn £000
	Gross Expenditure £000	Accruing Resources £000	Net Total £000	Gross Expenditure £000	Accruing Resources £000	Net Total £000		
Request for Resources								
Civil Superann	490,000	143,840	346,160	522,165	143,840	378,325	(32,165)	324,244
Non-budget	-	-	-	-	-	-	-	430,000
Total	490,000	143,840	346,160	522,165	143,840	378,325	(32,165)	754,244
Net Cash Requirement			7,375			6,902	473	20,479

Details of actual outturn – resources

Net resources outturn £378,324,692.48

Actual amount of excess of outturn compared with Estimate £32,164,692.48

Summary of income payable to the Consolidated Fund

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

	2004/05 Forecast		2004/05 Outturn	
	Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts - excess accruing resources	-	-	12,149	<i>14,222</i>
Excess AR to be applied towards request for Resources Excess	-	-	(12,149)	<i>(14,222)</i>
	-	-	-	-

Income Excess AR is £12,148,511.50. Cash Excess AR to be applied towards the Request for Resources Excess is £14,221,811.93.

HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005

Reconciliation of resources to cash requirement

	2004/05				2003/04	
		Estimate		Outturn		
	Note	Net Total £000		Net Total £000	Net total outturn compared with Estimate: saving or (excess) £000	Prior Year Outturn £000
Net Total Resources	11	346,160		378,325	(32,165)	754,244
Capital				-	-	-
Investments				-	-	-
Non-operating accruing resources				-	-	-
Accruals adjustments:						
Non-cash items	19			(521,570)	521,570	(449,361)
Changes in working capital other than cash	20			(233)	233	(58)
Capitalisation of employers' pre-funded early retirement cost contributions	21			-	-	(302)
Use of provisions	18.2, 18.3, 21	151,215		150,380	835	145,956
New provisions and adjustments to previous provisions		(490,000)		-	(490,000)	-
Prior period adjustment						(430,000)
Net Cash Requirement (Schedule 4)		7,375		6,902	473	20,479

Explanation of the variation between estimate and outturn (net total resources):

- (i) The Estimate outturn was calculated by the Department using figures from the Scheme's 1999 full valuation updated to 2004, whereas the outturn was calculated using figures from the Scheme's 2003 full valuation updated to 2005. Therefore the Estimate was understated as a result of accurate information not being available at the time of the Spring Supplementary Estimate.

The notes on pages 21 to 36 form part of these financial statements.

**HPSS SUPERANNUATION SCHEME
REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005**

	Note	2004/05 £000	2003/04 £000
Contributions receivable	3	146,244	136,596
Transfers in	4	9,570	9,361
Other income	5	175	97
		<hr/>	<hr/>
		155,989	146,054
		<hr/>	<hr/>
Pension cost	6, 18.1	250,000	210,000
Enhancements	7	2,000	-
Transfers in	8	9,570	9,361
Interest on scheme liabilities	9, 18.1	260,000	230,000
Other expenditure	10	595	516
		<hr/>	<hr/>
		522,165	449,877
		<hr/>	<hr/>
Net Outgoings for the Year		366,176	303,823
		<hr/> <hr/>	<hr/> <hr/>
Net Resource Outturn	11	378,325	754,244
		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF RECOGNISED GAINS AND LOSSES

Actuarial (loss)	18.4	(830,000)	(370,000)
		<hr/>	<hr/>
Total recognised (losses) for the financial year		(830,000)	(370,000)
Prior year adjustment		-	(3,718,452)
		<hr/>	<hr/>
Total (losses) recognised since last annual report		(830,000)	(4,088,452)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 21 to 36 form part of these financial statements.

**HPSS SUPERANNUATION SCHEME
BALANCE SHEET AS AT 31 MARCH 2005**

	Note	2004/05 £000	2003/04 £000
Current Assets			
Debtors	15	12,092	14,446
Balance due from Department of Health, Social Services and Public Safety	17	-	6,446
		<hr/> 12,092	<hr/> 20,892
Creditors: Amounts falling due within one year			
Balance due to the Consolidated Fund	17	(6,542)	(19,980)
Balance due to Department of Health, Social Services and Public Safety	17	(4,919)	-
Other creditors	16	(604)	(652)
		<hr/> (12,065)	<hr/> (20,632)
Net Current Assets		<hr/> 27	<hr/> 260
Provisions for liabilities and charges:			
Pensions	18.1	(5,595,374)	(4,391,996)
Deferred Income			
Pre-funded contributions from employing bodies	21	-	(2,188)
Net (Liabilities)		<hr/> (5,595,347)	<hr/> (4,393,924)
Financed by:			
Revenue Account:			
Balance brought forward		(4,393,924)	(3,720,159)
Financing from the Consolidated Fund	22	6,902	20,479
Net outgoings for the year (Schedule 2)		(366,176)	(303,823)
Actuarial (loss) (SRGL)		(830,000)	(370,000)
Consolidated Fund Extra Receipts		(12,149)	(20,421)
Balance carried forward		<hr/> (5,595,347)	<hr/> (4,393,924)

The notes on pages 21 to 36 form part of these financial statements.

Dr Andrew McCormick
Accounting Officer

25 October 2005

HPSS SUPERANNUATION SCHEME

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	2004/05 £000	2003/04 £000
Net cash outflow from operating activities (Note A)		18,685	527
Payments of amounts due to the Consolidated Fund		(20,423)	(21,752)
Financing (Note B)		1,738	21,225
Increase / (Decrease) in cash in the period		-	-
Note A – Reconciliation of net outgoings to operating cash flows			
Net outgoings for the year (Schedule 2)		(366,176)	(303,823)
Adjustments for movement in working capital other than cash	20	13,671	643
Capitalisation of employers' pre-funded early retirement cost contributions	21	-	302
Increase in pension provision	19	510,000	440,000
Increase in pension provisions – enhancements and transfers in	19	11,570	9,361
Use of provisions	21	-	(139)
Use of provisions – pension liability	18.2	(145,339)	(139,752)
Use of provisions – refunds and transfers	18.3	(5,041)	(6,065)
Net cash outflow from operating activities		18,685	527
Note B – Analysis of financing and reconciliation to the net cash requirement			
From Consolidated Fund (Supply) – current year	17	1,738	21,225
Adjustment for payments and receipts not related to supply			
Amounts due to the Consolidated Fund - received in a prior year and paid over in the current year		(6,880)	(11,671)
Amounts due to the Consolidated Fund – received and not paid over		679	6,880
Movement in interdepartmental balance with the Department of Health, Social Services and Public Safety	20	11,365	4,045
Net Cash Requirement (Schedule 1)		6,902	20,479

The notes on pages 21 to 36 form part of these financial statements.

NOTES TO THE SCHEME STATEMENT

Accounts for the year ended 31 March 2005

1. Basis of preparation of the Scheme statement

The Scheme statement has been prepared in accordance with the Northern Ireland Resource Accounting Manual (NIRAM) for 2004/05 issued by the Department of Finance and Personnel, which, in turn, reflects 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, together with the provisions of the Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995.

The Scheme statement summarises the transactions of the HPSS Superannuation 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, transfers in, and the interest on the scheme liability. The actuarial position of the pension Scheme is dealt with in the Report of the Government Actuary and the Scheme statement should be read in conjunction with that report.

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

2. Accounting policies

2.1 Contributions receivable

Employers' normal pension contributions are accounted for on an accruals basis.

Employers' special pension and compensation contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on a cash basis.

Employees' pension contributions and amounts received in respect of the purchase of added years are accounted for on an accruals basis. The associated increase in the scheme liability is recognised as expenditure. Neither Additional Voluntary Contributions (AVCs) nor payments to providers of Stakeholder Pensions are brought into account in this statement.

2.2 Pre-funding of Contribution from Employing Bodies

Amounts receivable from employing bodies to reduce or extinguish their liabilities in respect of future payment of benefits arising from the early retirement of their employees are accounted for on an accruals basis.

2.3 Transfers in and out

Transfers in, in respect of individual members, are normally accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis.

2.4 Other income

Other income, including Contributions Equivalent Premium (CEP) and refunds of pension overpayments, are accounted for on an accruals basis.

Contributions Equivalent Premium income relates to the refund of National Insurance Contributions from the Contributions Agency resulting from members who left the Scheme but subsequently returned to the Scheme before the end of their 13-month disqualifying period.

Other income includes refunds of gratuities, pension overpayments and miscellaneous income. Pension overpayments can arise as a result of pensioner error, Departmental error or Exchequer loss.

2.5 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from current member's service in the current period and is recognised in the Revenue account.

2.6 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Revenue account. The interest cost is based on a discount rate of 3½% real rate.

2.7 Other payments

Other payments are accounted for on an accruals basis.

Contributions Equivalent Premium payments relate to National Insurance Contributions due to the Contributions Agency resulting from members who have left the Scheme.

2.8 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected accrued benefit method and is discounted at 3½% real.

As per the requirements of FRS 17, full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date, in this case the 2003 valuation, and updates it to reflect current conditions.

2.9 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the scheme liability on an accruals basis.

2.10 Pension payments to those retiring at their normal retirement age

Where a retiring member of the pension scheme 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 as a decrease in the scheme liability on an accruals basis.

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

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

Where a member leaving the Scheme before normal retirement age is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis. Refunds include amounts payable both at the time of leaving or at normal retirement age (or earlier death).

Where a member leaving the Scheme before normal retirement age 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.

2.12 Lump sums payable on death in service

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

2.13 Actuarial gains/losses

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

2.14 Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the employing organisations to the approved AVC providers.

HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005

3. Pension contributions receivable

	2004/05	2003/04
	£000	£000
Employers:		
Received during the year	79,912	74,601
Released from deferred income	-	139
Employees	66,332	61,856
	<u>146,244</u>	<u>136,596</u>

4. Pension Transfers in (see also note 8)

	Note	2004/05	2003/04
		£000	£000
Individual transfers in from other schemes		9,570	9,361
	18.1	<u>9,570</u>	<u>9,361</u>

5. Other pension income

	2004/05	2003/04
	£000	£000
Contributions Equivalent Premium reclaimed	7	6
Refund of superannuation payments	156	74
Other	12	17
	<u>175</u>	<u>97</u>

6. Pension cost

	Note	2004/05	2003/04
		£000	£000
Current service cost	18.1	250,000	210,000
		<u>250,000</u>	<u>210,000</u>

HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005

7. Enhancements (see also note 18.1)

	Note	2004/05 £000	2003/04 £000
Employees:			
Purchase of added years		2,000	-
	18.1	<u>2,000</u>	<u>-</u>

8. Transfers in (see also note 4)

	2004/05 £000	2003/04 £000
Individual transfers in from other schemes	9,570	9,361
	<u>9,570</u>	<u>9,361</u>

9. Interest charge (see also note 18.1)

	Note	2004/05 £000	2003/04 £000
Interest charge for the year		260,000	230,000
	18.1	<u>260,000</u>	<u>230,000</u>

10. Other pension expenditure

	2004/05 £000	2003/04 £000
Contributions Equivalent Premium	222	199
Contribution refund	373	317
	<u>595</u>	<u>516</u>

HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005

11. Reconciliation of net outgoings for the year to control total and net resource outturn

	2004/05	2003/04
	£000	£000
Net outgoings (Schedule 2)	366,176	303,823
Add: excess accruing resources	12,149	20,421
Add: prior year adjustment	-	430,000
Net Resource Outturn (Schedule 1)	<u>378,325</u>	<u>754,244</u>

12. Administrative fees and expenses

Except as noted in Note 10 above, all costs of administering the HPSS Superannuation Scheme are borne by the Department of Health, Social Services and Public Safety.

13. Additional Voluntary Contributions

The HPSS Superannuation Scheme provides for employees to make Additional Voluntary Contributions (AVCs) 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 one of the approved providers, Equitable Life Assurance Society or Standard Life, or may choose to make their own arrangements by making periodic payments to an insurance company or Scheme institution which offers Free Standing Additional Voluntary Contribution (FSAVC) Schemes. The Managers of the HPSS Superannuation Scheme have responsibility only for the onward payment by employers of members' contributions to the Scheme's approved provider. These AVCs are not brought to account in this statement. Members participating in this arrangement each receive an annual statement from the approved provider at 31 March each year confirming the amounts held to their account and the movements in the year.

HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005

The aggregate amounts of AVC investments are as follows:

The Equitable Life Assurance Society

Employees make contributions to two Schemes (W0111) and (WP111) provided by the Equitable Life Assurance Society.

Scheme number W0111

Movements in the year were as follows:

	2004/05	2003/04
	£000	£000
Balance at 1 April	1,938	1,771
New investments (net of transfers / refunds)	105	138
Sales of investments to provide pension benefits	(137)	(179)
Changes in market value of investments	118	208
	<hr/>	<hr/>
Balance at 31 March	2,024	1,938
	<hr/> <hr/>	<hr/> <hr/>

Scheme number WP111

Movements in the year were as follows:

	2004/05	2003/04
	£000	£000
Balance at 1 April	2,281	2,202
New investments (net of transfers / refunds)	-	(10)
Sales of investments to provide pension benefits	(55)	(32)
Changes in market value of investments	108	121
	<hr/>	<hr/>
Balance at 31 March	2,334	2,281
	<hr/> <hr/>	<hr/> <hr/>

Standard Life

Movements in the year were as follows:

	2004/05	2003/04
	£000	£000
Balance at 1 April	2,328	1,735
New investments (net of transfers / refunds)	228	270
Sales of investments to provide pension benefits	(90)	(37)
Changes in market value of investments	267	360
	<hr/>	<hr/>
Balance at 31 March	2,733	2,328
	<hr/> <hr/>	<hr/> <hr/>

14. Contingent liabilities and assets

In the unlikely event of a default by one of the approved AVC providers, the Department of Health, Social Services and Public Safety will guarantee pension payments. This guarantee does not apply to members who make payments to institutions offering Free Standing Additional Voluntary Contributions.

The Department has received legal claims from 304 individuals who are pursuing the possibility of having part time HPSS service before 1 April 1991 considered for pension purposes. To date approximately 44 claims have been identified as eligible for settlement but at this time formal offers have not been issued and it is not known if the individuals involved will wish to take up their claims. Should all 44 individuals chose to avail of the offer, the maximum cost to the HPSS Superannuation Scheme is estimated to be in the region of £101,420.

The Department has given an undertaking to maintain parity with GB on granting freelance and GP locums access to the HPSS Superannuation Scheme. Backdating for freelance locums would be to 1 April 2001, and for GP locums 1 April 2002. Accurately establishing employer contribution costs for backdated service has proved difficult. However, Superannuation Branch has estimated that the total employer contribution liability for backdating these locums would be in the region of £416,624. This estimate assumes that one third of all locums will seek to have membership backdated.

15. Debtors

	2004/05	2003/04
	£000	£000
Pension contributions due	11,461	13,534
Capitalised cost of enhancement to pensions payable on departure	317	564
Overpaid pensions	211	128
Contributions Equivalent Premium refunds due	-	1
Other debtors	10	6
Subtotal	<u>11,999</u>	<u>14,233</u>
Non-supply debtors:		
Injury benefit	93	213
	<u>12,092</u>	<u>14,446</u>

Included in pension contributions due is £11.461m (2003-04: £13.534m) that will be due to the Consolidated Fund once the debts are collected.

16. Creditors - amounts falling due within one year for pensions

	2004/05	2003/04
	£000	£000
Pensions	584	580
Due to the Inland Revenue	19	69
Other creditors	1	3
	<u>604</u>	<u>652</u>

17. Amounts due from / (to) the Consolidated Fund

	Note	2004/05	2003/04
		£000	£000
Net cash requirement (Schedule 1)		6,902	20,479
Settlement of prior year debtor		434	1,180
Cash drawn down during the year		(1,738)	(21,225)
Due from Consolidated Fund at year end	22	<u>5,598</u>	<u>434</u>
Excess accruing resources payable to the Consolidated Fund		(12,140)	(20,414)
		<u>(6,542)</u>	<u>(19,980)</u>

The amounts due to the Consolidated Fund comprises:

	2004/05	2003/04
	£000	£000
Balance due (to) / from the Department of Health, Social Services and Public Safety Consolidated Fund Extra Receipts included in Debtors	(4,919)	6,446
	<u>11,461</u>	<u>13,534</u>
	<u>6,542</u>	<u>19,980</u>

18. Provision for pension liability

The HPSS Superannuation Scheme is an unfunded defined benefit scheme. A full actuarial valuation was carried out as at 31 March 2003 and has been updated to 31 March 2005 by the Government Actuary. The Report of the Actuary is set out on pages 6 to 8.

The major assumptions used by the Actuary were:

	31 March 2005	31 March 2004	31 March 2003
Rate of investment return net of salary increases	2.0%	2.0%	2.0%
Rate of investment return net of price increases	3.5%	3.5%	3.5%

The scheme managers/trustees 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.

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

The value of the liability included 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 reduce the assumed rate of inflation, or the assumed rate of increase in salaries, then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The managers/trustees 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 18.4 and 18.5. 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.

HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005

18.1 Analysis of movement in scheme liability

	Note	2004/05		2003/04	
		£000	£000	£000	£000
Scheme liability at 1 April			4,391,996		3,718,452
Current service cost	6	250,000		210,000	
Interest on pension scheme liability	9	<u>260,000</u>		<u>230,000</u>	
			510,000		440,000
Enhancements	7	2,000		-	
Transfer in of pre-funded compensation payments	21	2,188			
Pension transfers in	4	<u>9,570</u>		<u>9,361</u>	
			13,758		9,361
Benefits paid	18.2	(145,339)		(139,752)	
Pension payments to and on account of leavers	18.3	<u>(5,041)</u>		<u>(6,065)</u>	
			(150,380)		(145,817)
Actuarial loss	18.4		830,000		370,000
			<u> </u>		<u> </u>
Scheme liability at 31 March			<u>5,595,374</u>		<u>4,391,996</u>

During the year ended 31 March 2005, contributions represented an average of 7% of pensionable pay. It has been agreed that contributions will remain at that level from 1 April 2005.

18.2 Analysis of benefits paid

	Note	2004/05	2003/04
		£000	£000
Pensions or annuities to retired employees and dependents (net of recoveries of overpayments)		124,796	117,369
Commutations and lump sum benefits on retirement		18,927	21,041
Death in Service Benefits		<u>1,616</u>	<u>1,342</u>
Per cash flow statement (schedule 4)	18.1	<u>145,339</u>	<u>139,752</u>

HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005

18.3 Analysis of payments to and on account of leavers

	Note	2004/05 £000	2003/04 £000
Individual transfers to other schemes		5,041	6,065
Per cash flow statement (schedule 4)	18.1	<u>5,041</u>	<u>6,065</u>

18.4 Analysis of actuarial (loss)

	Note	2004/05 £000	2003/04 £000
Experience (losses) arising on scheme liabilities		(530,000)	(30,000)
Changes in assumptions underlying the present value of Scheme liabilities		<u>(300,000)</u>	<u>(340,000)</u>
Per Statement of Recognised Gains and Losses	18.1	<u>(830,000)</u>	<u>(370,000)</u>

18.5 History of Experience gains and losses

	2004/05 £000	2003/04 £000
Experience (losses) on scheme liabilities:		
Amount (£000)	(530,000)	(30,000)
Percentage of the present value of the scheme liabilities	-9.5%	-0.7%
Total actuarial (loss):		
Amount (£000)	(300,000)	(370,000)
Percentage of the present value of the scheme liabilities	-5.4%	-8.4%

HPSS Superannuation Scheme Accounts
Year Ended 31 March 2005

19. Non cash items

	Note	2004/05 £000	2003/04 £000
Increase in pension provision	18.1	510,000	440,000
Increase in pension provision – enhancements and inward transfers	18.1	<u>11,570</u>	<u>9,361</u>
Non cash items per Schedule 1		<u>521,570</u>	<u>449,361</u>

20. Movements in working capital other than cash

	Note	2004/05 £000	2003/04 £000
Decrease in debtors related to supply	15	13,599	556
Decrease/(Increase) in debtors not related to supply (injury benefit)	15	120	(40)
(Decrease)/Increase in creditors falling due within one year	16	<u>(48)</u>	<u>127</u>
Movement in working capital per Schedule 4		13,671	643
Movement in interdepartmental balance with the Department of Health, Social Services and Public Safety	17	(11,365)	(4,045)
Adjustment for Consolidated Fund Extra Receipts included in debtors		<u>(2,073)</u>	<u>3,460</u>
Movement in working capital per Schedule 1		<u>233</u>	<u>58</u>

21. Deferred Income – Pre-funded Contributions from Employing Bodies

Employing bodies are able to use current year expenditure to reduce or extinguish existing liabilities in respect of future payment of benefits arising from the early retirement of their employees.

In previous years, to the extent that such underspends were not utilised to offset liabilities relating to the current year, the balance of the pre-funding was shown as deferred income in the Balance Sheet and was carried forward to be released in the Revenue Account over an agreed period.

In 2004/05 it was decided that the pre-funded liabilities should be included in the actuarial report of the scheme's liabilities and therefore the balance on the deferred income account as at 1 April 2004 has been transferred to the pension scheme liability.

Movements in the balance of the deferred income are shown below:

	Note	2004/05 £000	2003/04 £000
Balance as at 1 April		2,188	2,025
Transfer to pension scheme liability	18.1	<u>(2,188)</u>	<u>-</u>
		-	2,025
Pre-funding received during the year		<u>-</u>	<u>302</u>
		-	2,327
Less: utilised in the current year (Note 3)		<u>-</u>	<u>(139)</u>
Balance at 31 March		<u><u>-</u></u>	<u><u>2,188</u></u>

22. Reconciliation of Net Financing from Consolidated Fund

	Note	2004/05 £000	2003/04 £000
Cash drawn down during the year (Schedule 4)		1,738	21,225
Settlement of prior year (debtor)		(434)	(1,180)
Amount due from the Consolidated Fund	17	<u>5,598</u>	<u>434</u>
Financing from the Consolidated Fund (Schedule 3)		<u><u>6,902</u></u>	<u><u>20,479</u></u>

23. Intra-government balances

	Debtors: Amounts falling due within one year £'000	Debtors: Amounts falling due after more than one year £'000	Creditors: Amounts falling due within one year £'000	Creditors: Amounts falling due after more than one year £'000
Balances with other central government bodies	1,314	-	11,480	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	10,462	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	316	-	585	-
At 31 March 2005	12,092	-	12,065	-
Balances with other central government bodies	10,576	-	20,049	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	10,095	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	221	-	583	-
At 31 March 2004	20,892	-	20,632	-

24. Related party transactions

The HPSS Superannuation Scheme falls within the ambit of the Department of Health, Social Services and Public Safety, which is regarded as a related party. During the year, the Scheme has had material transactions with the Department and the employing 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.

25. Financial Instruments

FRS 13 *Derivatives and Other Financial Instruments* requires disclosure of the role which 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 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 Scheme's net revenue resource requirements. The Scheme is not therefore exposed to significant liquidity risks.

26. Losses

During the year, losses arose in 140 cases (2003/04: 158 cases). The total loss was £25,133 (2003/04: £27,389).

Report of the Comptroller and Auditor General

EXCESS VOTE

Purpose of Report

1. In 2004-05, the Department's Superannuation Scheme expended more resources than Parliament had authorised. By so doing, the Scheme breached Parliament's control of expenditure and incurred what is termed an "excess" for which further parliamentary authority is required. I have qualified my opinion on the Department of Health, Social Services and Public Safety Health and Personal Social Services Scheme's 2004-05 resource account in this regard. The purpose of this report is to explain the reasons for this qualification and to provide information on the extent and nature of the breach to inform Parliament's further consideration.

My responsibilities with regard to the breach of regularity

2. As part of my audit of the Department of Health, Social Services and Public Safety Health and Personal Social Services Superannuation Scheme's financial statements, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the Resource Accounts have been applied to the purposes intended by Parliament and conform to the authorities which govern them; that is, they are "regular". In doing so, I have had regard to Parliamentary authority and in particular the Supply limits Parliament has set on expenditure.
3. By incurring expenditure that is unauthorised and is thus not regular, the Scheme has breached Parliament's controls.

Background to the Excess

4. Parliament authorises and sets limits on departmental expenditure on two bases – 'resources' and 'cash'. Such amounts are set out in the Supply Estimates for which Parliament's approval and authority is given in annual Budget Orders.
5. By this means, Parliament has authorised a Request for Resources for the Scheme. It thereby authorises amounts for current expenditure which are net of forecast income, known as operating accruing resources. Parliament sets limits on the amount of income that can be applied towards meeting expenditure. The amounts authorised for Requests for Resources and Accruing Resources together represent a limit on the gross current expenditure that may be incurred under the Request for Resources.

Limits

6. The limits described above for the Department of Health and Social Services Health and Personal Social Services Superannuation Scheme were set out in the Northern Ireland Main Supply Estimate for 2004-05, as amended by the Northern Ireland Spring Supplementary Estimates. The limit for Request for Resources A was set at net expenditure of £346,160,000 together with a limit on Accruing Resources of £143,840,000. This limit was authorised in the Budget (Northern Ireland) Order 2004, the Budget (Northern Ireland) (No.2) Order 2004 and the Budget (Northern Ireland) Order 2005. The breach reported below is against this limit.

Breach of limit on Request for Resources

7. Schedule 1 to the Department of Health, Social Services and Public Safety Health and Personal Social Services 2004-05 resource accounts shows net expenditure on Request for Resources A of £378,324,692.48 which is £32,164,692.48 (9.29 per cent) in excess of the amount authorised. Operating income authorised to be appropriated in aid of expenditure on this Request for Resources was limited to £143,840,000. This amount was wholly earned and applied. The Scheme also earned during the year from these income sources an additional £12,148,511.50. This is shown as excess Accruing Resources in Note 11 on page 26. It is proposed to ask Parliament to increase the limit on Accruing Resources by this amount to allow it to be applied towards meeting the excess on this Request for Resources, and to authorise the balance of £20,016,180.98 as additional use of resources by an Excess Vote.

Details and Causes

8. As explained by the Department in the footnote to Schedule 1 (page 17) of the resource accounts, the Excess arose because the Estimate of net expenditure was derived from an actuarial valuation as at March 1999. An up-to-date valuation (as at March 2003) was completed by the Government Actuary in September 2005 and this was used to calculate the 2004-05 outturn. The Estimate was therefore too low because accurate actuarial information factoring in changes to the membership profile, demographic trends and interest rate was not available when the Supplementary Estimates were being prepared in January 2005. The absence of a sufficiently up-to-date actuarial valuation also resulted in my inability to form an opinion on the 2003-04 Scheme Accounts. Obtaining up to date actuarial valuations is a lengthy process, requiring careful analysis of membership changes: from commissioning until completion, the 1999 valuation took almost 3 years, whilst the 2003 valuation took almost 18 months to complete. The Department did receive a revised scheme valuation to assist with the 2004/05 Departmental Resource Account in September 2005, but, this was not available for the 2004/05 Spring Supplementary Estimate.
9. The Committee of Public Accounts reported on 7 February 2005 in the report entitled 'Excess Votes (Northern Ireland)' (HC311) that it expected "all pension schemes in Northern Ireland which are subject to resource budgeting to review their estimates procedures to make sure they are not vulnerable to the deficiencies which gave rise to the excess arising in the Teachers' Pension Scheme 2003-04 Resource Account". As a result, the Committee expressed its expectation that all Northern Ireland departments have robust procedures in place to estimate and monitor their use of cash and resources.

I asked the Department to explain what it had done to meet the Committee's expectations that Northern Ireland pension schemes should review their estimates procedures to avoid excesses. The Department told me that this report was issued after the final deadline for submission of the 2004/05 Spring Supplementary Estimates, which were due with the Department of Finance and Personnel on 3rd February 2005. The Department was therefore unable to take account of the PAC findings in respect of the 2004/05 position.

Since the PAC report the Department has subsequently reviewed its systems taking account of the findings and recommendations therein.

Actions taken by the Department to help prevent a recurrence

10. The department told me that it has taken steps to minimise the risk of such an excess recurring. Steps taken include:
- More regular liaison with the Government Actuary's Department (GAD);
 - An agreement from GAD for the submission of updated assumptions in respect of the annual accounts;
 - Agreement from GAD to apply sensitivity analysis on actuarial assumptions in time for Main and Supplementary Estimates;
 - Developing detailed procedure documentation for preparation of the Main and Supplementary Estimates incorporating a checklist for estimating expenditure and accruing resources.

Summary and conclusions

11. In forming my opinion on the Department of Health, Social Services and Public Safety Health and Personal Social Services Superannuation Scheme 2004-05, I am required to confirm whether, in all material respects, the expenditure and income of the Department of Health, Social Services and Public Safety Health and Personal Social Services Superannuation Scheme have been applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. On the basis of my findings at paragraphs 1 to 10 above, I concluded that the net expenditure on Request for Resources A of £32,164,692.48 was in excess of the amount authorised by Parliament and that it was therefore irregular. My audit opinion has been qualified in this respect.

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