
Department for International Development

Overseas Superannuation Accounts 2015-16

(For the year ended 31 March 2016)

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

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Section A: Accountability

Report of the Managers

Introduction

These accounts are a scheme statement for Overseas Superannuation Schemes (“Schemes” or “Scheme”) payments, made on its behalf by the Department for International Development (DFID). The financial statements have been prepared in accordance with the relevant provisions of the 2015-16 *Government Financial Reporting Manual* (FRoM).

DFID’s Overseas Pensions Department (OPD), on behalf of the Schemes, has responsibility for the administration and payment of pensions and related benefits to former expatriate colonial civil and public servants and their dependants, including those who served in a civil or military capacity in former British India and the Sudan public service. OPD is also responsible for the formulation of the British Government’s policy on overseas pensions and UK pension increase supplements.

The activities reported in these accounts mainly derive from two policy initiatives by the British Government: a 1962 agreement to supplement the pensions paid to certain former colonial civil servants; and a 1970 announcement that the British Government would assume responsibility from overseas governments for the payment of pensions due to expatriate colonial civil servants who had mainly been appointed by or on behalf of the Secretary of State for the Colonies.

The element of these pensions arising from service after independence, together with certain widows’ pensions, are financed from capital sums which were paid over to the British Government by the overseas governments, or by funded pension schemes which have been wound up, to cover their future liabilities. The British Government meets the cost of the pre-independence element, and the cost of those widows’ and dependants’ pensions that do not derive from a funded scheme.

All payments have been agreed under HM Treasury classification to be Annually Managed Expenditure (AME). AME is used to reflect costs which are volatile in a way that cannot be controlled by OPD.

Since 13 May 2015, the Parliamentary Under Secretary of State for International Development, Baroness Verma, has been the Minister with responsibility for the Overseas Superannuation Schemes (Baroness Northover was responsible from 1 April 2015 to 12 May 2015). The Scheme Manager of the Overseas Superannuation Schemes was William Hunter from 1 April 2015 to 10 May 2015 and subsequently Vince Kelly, who is an employee of DFID as Head of Department for OPD. In this capacity he is therefore responsible for the operations of OPD. Mark Lowcock, who is the DFID Permanent Secretary and Accounting Officer, is the Accounting Officer of the Overseas Superannuation Schemes.

OPD produces a publically available Annual Report of its activities at the end of June each year.

Management Commentary

Pensions and related benefits included in these statements are paid in Sterling from 102 pension schemes that have been set up under the following Acts of Parliament:

- Overseas Pensions Act 1973
- Pensions (Increase) Act 1971, as amended
- Hong Kong (Overseas Public Servants) Act 1996
- UK Police and Firemen Acts 1997

Change in Member Numbers

The Schemes managed by OPD are closed to new members and the number of pensioners falls each year.

Table 1 shows the number of pensioners, number of pensions payable and the total number of payments made under these pensions during the last three years. These figures are based on information at 31 March:

Table 1

	2015-16	2014-15	2013-14
No. of Service Pensioners	4,973	5,488	6,039
No. of Dependants	5,870	6,247	6,644
Total No. of Pensioners	10,843	11,735	12,683
Total No. of Pensions ¹	22,496	24,443	26,515
Total No. of Payments	111,835	124,425	134,817

Pensioners are often in receipt of more than one pension, reflecting their service in different territories covered by different individual pension schemes.

Table 2 shows the percentage change in pensioner numbers and payments in the last three years.

Table 2

	2015-16 % Change	2014-15 % Change	2013-14 % Change
No. of Service Pensioners	-9.4%	-9.1%	-7.4%
No. of Dependants	-6.0%	-6.0%	-4.3%
Total No. of Pensioners	-7.6%	-7.5%	-5.8%
Total No. of Pensions	-8.0%	-7.8%	-6.0%
Total No. of Payments	-10.1%	-7.7%	-7.0%

Of the current 10,843 pensioners:

- 43 per cent are male;
- 67 per cent live in the UK; the remainder in 92 other countries;
- 87 per cent are paid monthly; 13 per cent quarterly, bi-annually, and annually;
- The average age of service pensioners is 85 years;
- The average age of dependent pensioners is 86 years; and
- The oldest pensioner is now 106 years of age, and there are 99 other centenarians on OPD's books.

Projections of pensioner numbers estimate that the remaining payments relating to existing pensioners will be fully realised by the middle of the century, at which point the Schemes will cease.

¹ This excludes Hong Kong pensions as these are not directly managed by OPD.

Service Standards

A key measure of OPD performance is the service it provides to pensioners. Standards are set through a Service Level Agreement (SLA) between DFID and OPD. The SLA defines the required performance standards and efficiencies and these are subject to regular monitoring and review. This is based on Cabinet Office best practice and OPD consistently checks to ensure its processes comply or exceed this. OPD's aim is that its service should always be:

- Prompt
- Efficient
- Accurate
- Helpful and courteous
- Responsive to those with special needs

Table 3 below shows performance against service standards. These figures are obtained from data held on OPD's computer systems.

Table 3

	SLA Target	2015-16 achieved	2014-15 achieved
	%	%	%
Accuracy of initial payment calculations	97.50	99.92	99.80
Accuracy of initial calculation of new and revised awards	95.00	99.58	100.00
Number of new awards put into payment within 2 weeks	97.50	100.00	100.00
Timeliness of payments by due date	99.00	100.00	100.00
Response to enquiries within 2 weeks of receipt	99.00	100.00	99.98
Response to complaints within 2 weeks of receipt*	95.00	100.00	N/A

*OPD received 5 complaints during 2015-16 (2014-15: 0 complaints) from pensioners or their agents.

We investigate customer satisfaction with OPD's service through a questionnaire issued to every new pensioner within six months of the first pension payment. During 2015-16 OPD issued 193 questionnaires, of which 110 (57 per cent) were returned. The main conclusions were that:

- 74 per cent (2014-15: 65 per cent) of respondents rated OPD's service as excellent, 23 per cent (2014-15: 31 per cent) as good and 3 per cent (2014-15: 4 per cent) as satisfactory;
- 77 per cent described OPD staff as helpful (2014-15: 78 per cent); and
- 80 per cent described OPD staff as efficient (2014-15: 71 per cent).

The results of these questionnaires are used when reviewing processes and identifying areas which require improvement.

Efficiency

Our main measure of efficiency is the cost of OPD administration for each unit of activity. Targets are set within the SLA. The aim is to reduce running costs in line with the continuing reduction in pensioner numbers. Savings are calculated over a three-year period and based on those OPD costs which are directly associated with the award and payment of pensions.

Table 4 below shows performance against SLA target unit costs. Targets are set on the basis of actual costs for the previous year plus inflation of 2.20%.

Table 4

	2015-16 Actual	2015-16 Target Unit Cost	2014-15 Actual
Per pensioner	£25.52	£32.11	£31.42
Per pension	£12.30	£15.41	£15.08
Per payment	£2.47	£3.03	£2.97

Unit costs are substantially below the SLA targets in 2015-16 due to restructure of OPD senior management and temporary secondment of staff out of OPD.

Information Assurance

A large quantity of personal and sensitive data is kept for the Schemes. A governance structure is in place to ensure information security and manage these risks. DFID remains independently certified as compliant with ISO/IEC 27001:2005, the international standard for information security management systems. DFID has been formally compliant with the standard since 2008 and is committed to maintaining this certification in the future.

OPD identified no reportable incidents of the loss of any personal data to the Information Commissioner's Office in 2015-16 and the Information Commissioner made no findings against OPD for breach of Data Protection principles. No such incidents were reported in the previous eight years.

Financial Review

Pensions paid in 2015-16 were £74 million (2014-15: £82 million).

Movement in the valuation of the pension Scheme is largely due to the net impact of:

- changes in financial assumptions:
 - the rate of return (nominal discount rate) has increased to 3.60% from 3.55% in the previous year; and
 - the rate of return in excess of pension increases (CPI) has increased to 1.37% from 1.30% in the previous year.
- changes to the set of tables used in relation to the mortality assumptions, using the "S1" tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession). The assumed levels of future mortality are in accordance with the improvements incorporated in the 2014 based principal population projections for the United Kingdom (prepared by the Office for National Statistics); and

A full actuarial valuation was carried out at 31 March 2014. For the assessment at 31 March 2016, the actuarial liability as at 31 March 2015 has been rolled forward by adjusting the liability for updated membership information. The next full actuarial valuation will be carried out as at 31 March 2018.

Financial Review (continued)

Taking account of movements in the year, the liability at 31 March 2016 was valued as £821 million (2014-15: £955 million).

Under IAS 19 *Employee Benefits*, a resource expense is shown in the Statement of Parliamentary Supply, Summary of Resource Outturn and the Statement of Comprehensive Net Income/(Expenditure) to recognise the interest cost on the Scheme liabilities for pensions not yet paid. This increases the discounted liabilities, because future benefit payments are one year closer to settlement. The interest cost is determined by the applied discount rate and assumptions about price inflation. For 2015-16 liabilities were discounted at a nominal rate of 3.60 per cent (2014-15: 3.55 per cent) based on the real discount rate of 1.37 per cent (2014-15: 1.30 per cent). The interest cost was £33 million (2014-15: £42 million). The discount rate has increased to 3.60 per cent from 3.55 per cent in 2014-15, as announced by HM Treasury.

Primarily due to the inclusion of the pension provision, at 31 March 2016 the Statement of Financial Position shows negative taxpayers' equity of £822 million (2014-15: £956 million). In common with other obligations of Government Departments, the future financing of pension liabilities will be met from grants of supply approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming and it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these accounts.

OPD costs for managing pensions are part of DFID administration expenditure and are included in DFID's Annual Report and Accounts. In 2015-16 administration costs were £402,243 (2014-15: £534,344).

The Parliamentary Supply Outturn was 10.7 per cent lower than the Estimate and the Net Cash Requirement was 10.1 per cent lower than the Estimate. The variance in the actual Outturn and Net Cash Requirement to that included within the Estimate reflects lower than forecast pension payments, based on actual pensioner movements.

Principal Risks and Uncertainties

The key risk which the Schemes face is the continued (unauthorised) payment of pension benefits after a member has died. To mitigate against this risk, the Schemes require all members to complete and return a signed annual declaration confirming their identity. Further details on controlling this risk are provided within the Governance Statement.

Audit Arrangements

The accounts are audited by the Comptroller and Auditor General. Through his staff, the Overseas Superannuation Schemes' Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

DFID Executive Management Committee

There is no Executive Management Committee in place within the Scheme due to the schemes being wound down. Where any decisions are required in respect of the Scheme the Executive Management Committee of DFID are consulted as appropriate. The composition of the DFID Executive Management Committee at the reporting date was as follows:

Mark Lowcock
Permanent Secretary

Lindy Cameron
Director General, Country Programmes

Nick Dyer
Director General, Policy and Global Programmes

Joy Hutcheon
Director General, Finance and Corporate Performance

David Kennedy
Director General, Economic Development

The Permanent Secretary appoints members to the Executive Management Committee. Those who are also civil servants serve under the terms of the Senior Civil Service Contract.

Events After the Reporting Period

The Department for International Development Overseas Superannuation Schemes' accounts are laid before the Houses of Parliament by HM Treasury. IAS 10 *Events after the reporting period* requires the Department for International Development Overseas Superannuation Schemes' accounts to disclose the date on which the accounts are authorised for issue. This is the date on which the accounts are certified by the Comptroller and Auditor General. Note 11 details any events after the reporting period.

Further Information

An explanatory booklet "A Guide to Your Pension" is issued to all new pensioners. The booklet contains details of the standard of service they can expect to receive from OPD and general information on the administration of their pensions, including dispute resolution procedures. A copy of the Guide and other general information can be obtained from OPD.

Any enquiries about the Overseas Superannuation accounts can be addressed to:

The Scheme Manager
Overseas Pensions Department
Department for International Development
East Kilbride
G75 8EA

Managers and Advisers

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East Kilbride G75 8EA
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21 / 2 Devonshire Square, London EC2M 4XJ
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Road, Victoria, London SW1W 9SP

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas
Superannuation Schemes

05 July 2016

Report of the Actuary

Overseas Superannuation Schemes administered by the Department for International Development

Accounts for the year ended 31 March 2016

Introduction

This statement has been prepared by the Government Actuary's Department at the request of the Department for International Development ('DFID' or 'the Department'). It summarises the pensions disclosures required for the 2015-16 Resource Accounts of the Overseas Superannuation schemes (the 'Schemes').

The Schemes are defined benefit schemes, and the benefits are paid under the Overseas Pensions Act 1973, the Pensions (Increase) Act 1971, the Hong Kong (Overseas Public Servants) Act 1996 and the UK Police and Firemen Acts 1997. I have not been provided with copies of the full legislation governing all the Schemes. The Schemes are wholly unfunded. I am not aware of any informal practices operated within the Schemes which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

The statement is based on:

Membership Data

Tables 5 and 6 summarise the principal membership data as at 31 January 2016 used to prepare this statement. The table totals below are the sum of the individual components which have each been rounded to the nearest £thousand.

Membership data as at 31 January 2016

Table 5: Membership data (excluding Hong Kong) by type of member

Membership	Number of records (1)	Total pension £thousand pa (2)
Service pensioners	4,208	23,266
Dependant pensioners	6,455	45,580
Total	10,663	68,846

Table 6: Hong Kong membership data

Membership	Number of records (1)	SPOS* ceiling £thousand (2)	SPOS base £thousand
Service pensioners	982	32,566	18,605
Dependant pensioners	453	8,470	1,598
Actives	25	519	519
Total	1,460	41,555	20,722

(1) The tables report the number of records, some members have more than one record

(2) Excludes the Pension Increase Award in April 2016

*The pension increases are known as the Supplementary Pension for Overseas Service ('SPOS')

Methodology

IAS19 requires that the value of the accrued liabilities and the Current Service Cost be assessed using the standard actuarial methodology known as the Projected Unit Credit Method (PUCM). This method has been adapted for active members in agreement with the Department and the auditors in view of the small number of active members. That is, the actuarial liability of active members has been valued assuming members retire immediately but allowing for full future service to their normal retirement date. The contribution rate for accruing costs in the year ended 31 March 2016 was nil because of the way the methodology has been adapted for active members.

This statement takes into account the benefits normally provided under the Schemes, including retirement benefits applicable following the death of a member pensioner. It does not include the cost of injury benefits (in excess of any ill-health benefits).

Principal Financial Assumptions

The principal financial assumptions adopted to prepare this statement are shown in Table 7. With effect from 31 March 2016, the assumed rate of return in excess of pension increases was increased from 1.30% a year to 1.37% a year.

Table 7: Principal financial assumptions

Assumption	31 March 2016	31 March 2015
Rate of return (discount rate)	3.60%	3.55%
Pension increases (CPI)	2.20%	2.20%
Rate of return in excess of:		
Pension increases	1.37%	1.30%
Expected return on assets	n/a	n/a

Demographic Assumptions

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2016 are the same as those adopted for the 2014-15 Resource Accounts, except for the mortality improvement assumptions which have been revised to use the latest ONS projections (2014-based population projections).

The male and female standard mortality tables known as the 'S1' series are used without any adjustment to baseline mortality. Mortality improvements are in accordance with those incorporated in the 2014-based principal population projections for the United Kingdom.

Liabilities

Table 8 summarises the assessed value as at 31 March 2016 of benefits accrued under the Schemes prior to 31 March 2016 based on the data, methodology and assumptions described above. The corresponding figures for the previous four year ends are also included in the table.

Table 8: Statement of Financial Position

£thousand

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Total market value of assets	nil	nil	nil	Nil	nil
Value of liabilities	(821,034)	(955,211)	(1,015,510)	(1,027,872)	(1,123,412)
Deficit	(821,034)	(955,211)	(1,015,510)	(1,027,872)	(1,123,412)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Pension Costs

The cost of benefits accruing in the year ended 31 March 2016 (the current service cost) is nil as a result of the adaptation to the PUCM method agreed for the valuation of the active membership.

The past service cost in the year ended 31 March 2016 is nil since there have been no changes to the Scheme benefits. The total pension cost (the current service cost plus the past service cost) for 2015-16 is therefore nil.

Chris Daniels
Government Actuary's Department
22 April 2016

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for International Development Overseas Superannuation to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Scheme and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

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

HM Treasury has appointed me, as Permanent Secretary, Accounting Officer of the Department and also Accounting Officer for the Overseas Superannuation Schemes. 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 Superannuation Schemes are set out in *Managing Public Money* published by HM Treasury.

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas
Superannuation Schemes
05 July 2016

Governance Statement

Introduction

As Accounting Officer I have responsibility for ensuring that an effective corporate governance framework applies within the Overseas Superannuation Schemes, which provides strategic direction and effective management of the Schemes and their administrators. In particular the supporting corporate governance systems are designed to manage risks, ensure accountability and deliver efficient and effective organisational performance. As Accounting Officer for DFID as well as for the Overseas Superannuation Schemes, I also have particular responsibility for the activities which are carried out by DFID's OPD on behalf of the Schemes.

Opinion

As Accounting Officer, my opinion is informed by:

- the work of DFID's Internal Audit Department and in particular any reviews carried out on OPD and their processes during the year under review;
- the DFID Audit Committee;
- the Director General for Finance and Corporate Performance, who has responsibility for OPD, confirmed through the Director's Statement of Assurance verification;
- the Director for Value for Money, who is accountable for OPD, confirmed through his annual Director's Statement of Assurance verification;
- the Annual Report prepared by OPD setting out its deliverables against its Service Level Agreement;
- and the work performed and reported by National Audit Office.

On the basis of this advice and evidence, I am satisfied with the overall standard of corporate governance that has been in place in OPD, applied to the Schemes, for the year ended 31 March 2016 and up to the approval date of these accounts. Any weaknesses identified in the internal operating environment have been assessed and appropriate action has been taken, or is in progress to address these.

Governing Bodies

This Statement describes the governance structure and arrangements that DFID has put in place in its capacity as administrating authority for the Schemes.

Since 13 May 2015, the Parliamentary Under Secretary of State for International Development, Baroness Verma, has been the Minister with responsibility for the Schemes (Baroness Northover was responsible from 1 April 2015 to 12 May 2015).

The Scheme Manager of the Overseas Superannuation Schemes is an employee of DFID, in the capacity as Head of Department of OPD.

The Director for Value for Money of DFID is accountable to DFID's Executive Management Committee for the work of OPD and for assessing and managing associated risks. OPD's sole responsibility is in relation to serving and fulfilling the requirements of the Schemes, set out within the Service Level Agreement signed between DFID and the Scheme.

Governing Bodies (continued)

There is no separate Executive Management Committee or board structure in place within the Overseas Superannuation Schemes, due to the Schemes being wound down with no new members joining. This has resulted in a relatively stable position within the Schemes and few decisions requiring action. Where any decisions are required in respect on the Schemes, the Scheme Manager takes this forward to/with the Director for Value for Money, who then consults with the Executive Management Committee of DFID where appropriate.

The pensions and related benefits under the Overseas Superannuation Schemes have been set up under the Acts of Parliament noted in the Management Commentary (refer to page 1).

Compliance with the Corporate Governance Code of Good Practice

The Overseas Superannuation Schemes comply with the Corporate Governance Code through its use of DFID systems and governance, applied within OPD. The National Audit Office's checklist was used as a basis to assess compliance within DFID. The Code gives Departments the flexibility to depart from some detailed principles in the Code as long as its practices are consistent with those principles. How DFID adapts the principles of the Code is described within the Governance Statement in DFID's Annual Report and Accounts, which can be found at www.gov.uk/government/organisations/department-for-international-development. This statement also includes details of the DFID Executive Management Committee members and their respective meeting attendance records.

Board's Performance

A Service Level Agreement is in place between DFID, as Sponsoring Employer to the Schemes and OPD, who have been appointed to carry out the administration of the Schemes. This confirms that OPD are responsible for the administration and payment of pensions to Schemes' members and their dependants. The terms of the agreement also include OPD's responsibility within Whitehall for all aspects of policy and advice on colonial pension matters.

This was signed by the Scheme Manager and the Accounting Officer of DFID. It is subject to regular review to ensure it remains appropriate and effective in governing the work and resources of OPD. This includes consideration of the appropriateness of data, both in terms of content and quality.

OPD's effectiveness is outlined within the OPD Annual Report. This is provided to the Minister for Pensions, myself as the Accounting Officer for both DFID and the Schemes, the Director General for Finance and Corporate Performance, whose remit includes responsibility for OPD and the Director for Value for Money who is accountable for OPD, in order for them to review the performance of OPD. The data supplied includes details of workload and transactions undertaken in the year under review, number of complaints and compensation paid, details of payment irregularities, standards of service against targets together with details of financial performance of the department. No issues were identified indicating problems or weaknesses in the effectiveness of OPD.

The effectiveness of DFID's Executive Management Committee is detailed in the Governance Statement within DFID's Annual Report and Accounts.

There have been no ministerial directions given in 2015-16.

Highlights of Management Committee Sub-Committees

DFID's Executive Management Committee sub-committee meetings were held throughout the year 2015-16. No actions or outcomes were identified in relation to the Overseas Superannuation Schemes from these meetings. Highlights of the Executive Management Committee sub-committees can be found within the Governance Statement within DFID's Annual Report and Accounts.

Risk Management and Internal Control Environment

The Schemes' assessment of risk and the internal control environment is based on their assessment of the environment applied within OPD and how this mitigates the principal risks and uncertainties identified which apply to the Schemes.

Internal Control

OPD's risk management architecture, as part of DFID as a whole, was fully reviewed in financial year 2010-11 but continues to be reviewed and developed to deliver more active and effective management of risks. Management of risk in OPD is supported by the DFID Executive Management Committee's Risk Appetite Statement.

The Scheme Manager works with the Director for Value for Money to identify the key risks facing the Schemes and developing controls within OPD to mitigate prevent and detect weaknesses in controls over these risks.

Over the course of the year, the internal audit function of DFID selects a random sample of departments to review. OPD was not selected during 2015-16, however a review was carried out in 2011-12 covering governance, risk management and control. The audit opinion from this review was satisfactory and there were no significant issues identified or remedial action proposed. Internal audit has scheduled OPD for a joint Assurance and Counter Fraud Whistleblowing Unit review in September 2016.

Capacity to Handle Risk

DFID's capacity to handle risk, including that of OPD, is set out in the Governance Statement in DFID's Annual Report and Accounts. This includes the overall responsibility of the Executive Management Committee in respect of risk management, and details of the integration of risk management throughout the Department.

The Risk and Control Framework

DFID's processes for identifying, evaluating and managing risk are set out in the Governance Statement in DFID's Annual Report and Accounts. These processes include the identification, evaluation and review of risk by the Executive Management Committee. Risks associated with the work of OPD have not been identified among the strategic and policy risks monitored by the Board. These comprise the risks with the most significant impact on DFID comprising financial and non-financial impacts.

The Risk and Control Framework (continued)

As part of risk control, OPD have a Risk Register which highlights potential areas of risk, the key point of impact and the controls in place. This document is reviewed monthly by the Scheme Manager. Control of risk within OPD is also partly exercised through setting of performance standards for OPD in a Service Level Agreement (SLA). The SLA defines the required performance standards and efficiencies and these are subject to regular monitoring and review. This is based on Cabinet Office best practice and OPD consistently checks to ensure its processes comply or exceed this. Performance against the SLA is included within the Report of the Managers. The Head of Department reviews these results and takes action where appropriate to identify and implement improvement opportunities.

A key risk that OPD faces is making continued pension payments following the death of a pensioner. To mitigate against this risk the Scheme requires all members or their legal representatives to complete and return a signed annual declaration confirming their identity. If the annual declaration is not received or is returned incomplete, OPD suspend the pension payment until an explanation is provided or a properly completed declaration is received.

OPD participates in the Cabinet Office's National Fraud Initiative (NFI), which aims to detect possible frauds of public monies by matching the information held on individuals on the databases of participating public sector organisations. The NFI is effectively a formal fraud risk assessment process, and the results can be used by management to inform an assessment of the Scheme's susceptibility to fraud. The participation in the National Fraud Initiative is now a permanent part of OPD and will be conducted every two years. OPD had no incidents arising from the NFI in 2014-15 and will participate again in 2016-17.

In OPD, consistent compliance with prescribed procedures is promoted and supported through general and OPD specific guidance manuals, training programmes, help desks, and central scrutiny and checks. OPD has in place controls to address the risk that pensions continue in payment after the death of beneficiaries. OPD also has contingency plans in place to respond to threats to key information systems and, where possible, to maintain continuity of operations.

OPD, as part of DFID, remains independently certified as compliant with ISO/IEC 27001:2005, the internationally recognised standard for information security management. This provides considerable assurance on the efficiency of our information security management system, which is utilised by OPD to record information pertaining to the Overseas Superannuation Schemes. DFID has a Senior Information Risk Owner, who reports regularly to the Executive Management Committee on information risk, including an annual DFID information risk assessment report to the Permanent Secretary.

DFID is required to report on data incidents which meet criteria for severity to central government and to the Information Commissioner's Office. OPD had no incidents which met these criteria in 2015-16.

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 DFID, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in the management letter and other reports.

Review of Effectiveness (continued)

The Director for Value for Money has provided me with an annual assurance certificate covering identification and management of risk and an assurance on compliance with management and control systems within his Division. The assurance statement informs my review of OPD systems for performance management and compliance with control systems. This reflects input from the Scheme Manager on the performance of OPD during the year under review.

Significant Internal Control Issues

There were no internal control issues found during 2015-16. An Internal Control framework is in place where all internal controls are being continually reviewed. This allows OPD to respond and adapt quickly to any change in circumstances.

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas
Superannuation Schemes
05 July 2016

Statement of Parliamentary Supply

Summary of Resource Outturn 2015-16

	Note	2015-16						2014-15	
		Estimate			Outturn			Outturn	
		Voted £000	Non- Voted £000	Total £000	Voted £000	Non- Voted £000	Total £000	Voted outturn compared with Estimate: saving £000	Total £000
Departmental Expenditure Limit									
- Resource		-	-	-	-	-	-	-	
- Capital		-	-	-	-	-	-	-	
Annually Managed Expenditure									
- Resource		36,523	-	36,523	32,600	-	32,600	3,923	42,399
- Capital		-	-	-	-	-	-	-	-
Total Budget	SOPS1	36,523	-	36,523	32,600	-	32,600	3,923	42,399
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
Total		36,523	-	36,523	32,600	-	32,600	3,923	42,399
Total Resource		36,523	-	36,523	32,600	-	32,600	3,923	42,399
Total Capital		-	-	-	-	-	-	-	-
Total		36,523	-	36,523	32,600	-	32,600	3,923	42,399

Net Cash Requirement 2015-16

£000	Note	2015-16 Estimate	2015-16		2014-15
			Outturn	Outturn compared with Estimate: saving	Outturn
	SOPS2	82,000	73,700	8,300	83,003

Administration Costs 2015-16

	2015-16 Estimate	2015-16 Outturn	2014-15 Outturn
Administration costs	-	-	-

Figures outlined in bold are the voted totals or other totals subject to Parliamentary control. Explanations of variances between Estimate and outturn are given in SOPS1 and in the Financial Review on pages 4 to 5.

Notes to the Statement of Parliamentary Supply

SOPS1 Analysis of Resource Outturn by Section

	2015-16									2014-15 Outturn
	Outturn						Estimate			
	Administration			Programme			Total £000	Net Total £000	Net total compared to Estimate adjusted for virements £000	Total £000
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000				
Annually Managed Expenditure										
Voted:										
A: Interest on liabilities and other expenses	-	-	-	32,600	-	32,600	32,600	36,523	3,923	42,399
TOTAL	-	-	-	32,600	-	32,600	32,600	36,523	3,923	42,399

SOPS2 Reconciliation of Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource outturn		36,523	32,600	3,923
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Addition to pension provision	5.2	(36,523)	(32,600)	(3,923)
<i>Adjustments to reflect movements in working balances:</i>				
Use of pension provision	5.2	82,000	73,776	8,224
Increase in receivables		-	116	(116)
Increase in payables	4.1	-	(192)	192
Net cash requirement	4.2	82,000	73,700	8,300

Parliamentary Accountability Disclosures

Losses and Special Payments

Losses Statement

	2015-16	2014-15
Total number of losses	70	94
Total value of losses	£27,000	£184,000

There are no individual cases greater than £300,000.

Special Payments

	2015-16	2014-15
Total number of special payments	1	1
Total value of special payment	£29,000	£29,000

There are no individual cases greater than £300,000.

The Statement of Parliamentary Supply, Notes to the Statement of Parliamentary Supply and Parliamentary Accountability Disclosures are subject to audit.

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

I certify that I have audited the financial statements of the Department for International Development Overseas Superannuation pension schemes (“the Scheme”) for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Income/(Expenditure), Financial Position, Cash Flows, Changes in Taxpayers’ Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2016 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 11 July 2016

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

Section B: Financial Statements

Statement of Comprehensive Net Income/(Expenditure)

for the year to 31 March 2016

	Note	2015-16 £000	2014-15 £000
Income			
Other pension income		-	-
Expenditure			
Interest on Scheme liability	5.2	(32,600)	(42,398)
Other expenditure		-	(1)
Net expenditure		(32,600)	(42,399)
Other comprehensive net income			
Pension re-measurements:			
Gain/(loss) due to change in financial assumptions	5.3	2,108	(44,249)
Gain due to change in mortality assumptions	5.3	46,643	-
Experience gain arising on Scheme liabilities	5.3	44,250	65,243
		93,001	20,994
Total comprehensive net income/(expenditure) for the year ended 31 March		60,401	(21,405)

Notes on pages 26 to 34 form part of these accounts.

Statement of Financial Position

as at 31 March 2016

	Note	31 March 2016 £000	31 March 2015 £000
Current assets			
Other receivables		277	161
Cash and cash equivalents	3	846	1,149
Total current assets		1,123	1,310
Current liabilities			
Payables	4.1	(772)	(580)
Consolidated Fund creditor for unused supply	4.2	(846)	(1,149)
Total current liabilities		(1,618)	(1,729)
Net current liabilities, excluding pension liability		(495)	(419)
Pension liability	5.2	(821,034)	(955,211)
Net liabilities, including pension liabilities		(821,529)	(955,630)
Taxpayers' equity			
General fund		(821,529)	(955,630)
		(821,529)	(955,630)

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas
Superannuation Schemes

05 July 2016

Notes on pages 26 to 34 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

	Note	General Fund	
		2015-16 £000	2014-15 £000
Balance at 1 April		(955,630)	(1,017,228)
Net Parliamentary funding - drawn down	4.2	73,397	83,250
Net Parliamentary funding - deemed	4.2	1,149	902
Supply payable adjustment	4.2	(846)	(1,149)
Comprehensive net income/(expenditure) for the year		60,401	(21,405)
Net change in taxpayers' equity		134,101	61,598
Balance at 31 March		(821,529)	(955,630)

Notes on pages 26 to 34 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2016

	Note	2015-16 £000	2014-15 £000
Cash flows from operating activities	6.1	(73,700)	(83,003)
Cash flows from net Parliamentary financing	6.2	<u>73,397</u>	<u>83,250</u>
Net (decrease)/increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		(303)	247
Payments of amounts due to the Consolidated Fund		-	-
Net (decrease)/increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund	3	<u>(303)</u>	<u>247</u>
Cash and cash equivalents at the beginning of the year	3	<u>1,149</u>	<u>902</u>
Cash and cash equivalents at the end of the year	3	<u>846</u>	<u>1,149</u>

Notes on pages 26 to 34 form part of these accounts.

Notes to the Financial Statements

For the year ended 31 March 2016

1 Basis of preparation

- 1.1 The financial statements of the Overseas Superannuation Schemes have been prepared in accordance with the relevant provisions of the 2015-16 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.
- 1.2 In addition to the primary statements prepared under IFRS, 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.
- 1.3 The financial statements of the Overseas Superannuation Schemes show the financial position at the year end and the income and expenditure during the year. The Statement of Financial Position shows the deficit on the Scheme; the Statement of Comprehensive Net Income/(Expenditure) shows, amongst other things, the movements in the liability analysed between the pension cost and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme's financial statements should be read in conjunction with that Report.
- 1.4 The financial statements also have regard to the Government Resources and Accounts Act 2000.
- 1.5 The Schemes are mostly non-contributory defined benefit pension schemes, for colonial civil and military officers and their dependants, which are managed by OPD. A fuller description of the Schemes is in the Report of the Managers on pages 1 to 7.
- 1.6 The administration costs of OPD are part of those of DFID and are included in the DFID Annual Report and Accounts, as is the cost of audit of these statements by the Comptroller and Auditor General. The Report of the Managers includes information on administration and efficiency.

2 Statement of accounting policies

- 2.1 The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate in the public sector context.
- 2.2 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 Scheme's financial statements.
- 2.3 DFID acts as an agent in making certain payments to pensioners using funds provided by other Governments and this is not part of the pension liability within the Statement of Financial Position.

2 Statement of accounting policies (continued)

- 2.4 Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme's liabilities are measured on an actuarial basis using the projected unit method and are discounted at 1.37 per cent real (2014-15: 1.30 per cent). The discount rate is determined by HM Treasury.

The discount rate is reviewed annually by HM Treasury who track changes in the real yield implied from AA corporate bond rates until 31 March, and an assessment is then made to ensure there has not been a significant deviation in the discount rate between 30 November and 31 March. This is necessary to remain in compliance with IAS 19, which requires the discount rate to reflect the time value of money.

- 2.5 Pension benefits payable is accounted for as a decrease in the Scheme's liabilities on an accruals basis.

- 2.6 Full actuarial valuations of the Scheme's liabilities are prepared every four years by GAD and were last carried out at 31 March 2014. For 2015-16 the Actuary reviewed the valuations based on the information provided to them at 31 January 2016, and assumed there had been no material changes to membership between January and March 2016. Further information on the valuation process can be found in the Report of the Actuary. Actuarial gains and losses arising from valuations and reviews are recognised in the Statement of Comprehensive Net Income/(Expenditure).

- 2.7 Cash balances held in an account at the Government Banking Service for pay over to HMRC for pensioners' tax liabilities are included in cash balances (Note 3).

- 2.8 In addition to contingent liabilities in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, DFID discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- (a) Items over £300,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental minute prior to DFID entering into the arrangement;
- (b) All items (whether or not they arise in the normal course of business) over £300,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

- 2.9 There are no significant relevant changes to IFRS that have been issued but which were not yet effective during the reporting period.

3 Cash and cash equivalents

	2015-16 £000	2014-15 £000
Balance at 1 April	1,149	902
Net change in cash balances	(303)	247
Balance at 31 March	846	1,149

All cash balances were held with the Government Banking Service.

4 Payables – in respect of pensions

4.1 Analysis by type

	Note	2015-16 £000	2014-15 £000
Amounts falling due within one year			
Payables:			
HMRC (other central government)		(769)	(580)
Other payables (non-government)		(3)	-
		(772)	(580)
Consolidated Fund payables:			
Supply issued and not used	4.2	(846)	(1,149)
Total: Operating and Consolidated Fund		(1,618)	(1,729)

4.2 Consolidated Fund creditor for unused supply

	Note	2015-16 £000	2014-15 £000
Supply drawn down		(73,397)	(83,250)
"Deemed" supply (retained from the previous year)		(1,149)	(902)
		(74,546)	(84,152)
Net cash requirement	SOPS2	73,700	83,003
Supply payable		(846)	(1,149)

5 Provisions for pension liabilities

5.1 The Schemes included in these financial statements are unfunded defined benefit schemes. A full actuarial valuation of the Schemes was carried out as at 31 March 2014 by GAD. The Report of the Actuary on pages 8 to 10 sets out the scope, methodology and results of the work the actuary has carried out.

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

- Scheme membership data, including age and gender profiles;
- The benefit payable, including the member's pension and any spouse's pension;
- The Scheme's income and expenditure; and
- Following consultation with the actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the actuary were:

	At 31 March 2016	At 31 March 2015	At 31 March 2014	At 31 March 2013	At 31 March 2012
Rate of increase in salaries	n/a	n/a	n/a	n/a	n/a
Rate of increase in pensions in payment (%)	2.20	2.20	2.50	1.70	2.00
Rate of increase in deferred pensions (%)	2.20	2.20	2.50	1.70	2.00
Inflation assumption (long term) (%)	2.20	2.20	2.50	1.70	2.00
Inflation assumption (short term) (%)	2.20	2.20	2.50	1.70	2.00
Discount rate (real) (%)	1.37	1.30	1.80	2.35	2.80

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

Current baseline mortality rates have been assumed to be in line with the standard mortality tables listed below. The S1 mortality tables are prepared by the Continuous Mortality Investigation (part of the Actuarial Profession).

Mortality tables

Member pensioners - men S1NMA

Member pensioners - women and widows S1NFA

5 Provisions for pension liabilities (continued)

The current baseline rates of mortality are assumed to improve in future in line with the central projections for population mortality published by the Office for National Statistics.

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

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions.

	Impact on total liability	
	£000	
Change in assumption⁽¹⁾		
Rate of return		
(i) Nominal (-0.5% per annum)	-1.5%	(12,000)
(ii) In excess of pensions (-0.5% per annum)	+5.0%	41,000
Pensioner mortality		
Pensioners assumed to experience mortality as if they were 2 years younger	+10.0%	82,000

⁽¹⁾ Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability

A sensitivity analysis on the total pension liability as at 31 March 2016 of changes to the key assumptions is set out in the table above. A decrease in the nominal rate of return by 0.5% from the central assumptions would reduce the pension liability by £12 million (1.5%) as a result of the reduction in liability relating to non-takeover schemes outweighing the increase to the liability for fixed pensions which are not inflation linked after they come into payment.

A decrease in the rate of return in excess of pensions by 0.5% would increase the value of all liabilities with the exception of fixed pensions resulting in an increase to the total pension liability of £41 million (5.0%). The impact of assuming pensioner mortality as if pensioners were 2 years younger than actual age would increase the total actuarial liability by £82 million (10.0%), given assumed life expectancy would increase. The impact of the pensioner mortality sensitivity analysis is sensitive to assumption variances due to the high average age of members covered by the Schemes.

5 Provisions for pension liabilities (continued)

In the opinion of the Schemes managers, the actuary has used key assumptions that are the most appropriate for the Schemes in the light of current knowledge.

The decrease in future liability resulting from changes in assumptions is disclosed in Note 5.3. This also discloses “experience” gains, showing the decrease in the liability for the year due to events not coinciding with assumptions made for the last valuation.

5.2 Analysis of movements in the Scheme liability

	Note	2015-16 £000	2014-15 £000
Scheme liability at 1 April		(955,211)	(1,015,510)
Interest on Scheme liability		(32,600)	(42,398)
Benefits payable		73,776	81,703
Actuarial gain	5.3	93,001	20,994
Scheme liability at 31 March		(821,034)	(955,211)

5.3 Analysis of actuarial gain

	2015-16 £000	2014-15 £000
Experience gain arising on Scheme liabilities (5.39% of year end liability; 2014-15: 6.83% of year end liability)	44,250	65,243
Gain due to change in mortality assumptions	46,643	-
Gain/(loss) due to change in financial assumptions	2,108	(44,249)
At 31 March	93,001	20,994

5.4 History of experience gains/(losses)

	2016	2015	2014	2013	2012
Experience gains/(losses) on the Scheme liabilities					
Amount	£44m	£65m	£31m	£26m	£(44)m
Percentage of the present value of the Scheme liabilities	5.39%	6.83%	3.08%	2.53%	3.92%
Total amount recognised in Statement of Changes in Taxpayers' Equity					
Amount	£44m	£65m	£31m	£26m	£(44)m
Percentage of the present value of the Scheme liabilities	5.39%	6.83%	3.08%	2.53%	3.92%

6 Notes to the cash flow statement

6.1 Reconciliation of net outgoings to operating cash flows

	2015-16 £000	2014-15 £000
Net expenditure for the year	(32,600)	(42,399)
Increase in long term pension liability	32,600	42,398
Benefits paid and payable	(73,776)	(81,703)
Increase in receivables	(116)	(55)
Decrease in payables	(111)	(997)
<i>less: movements in payables for items not passing through the revenue account</i>	303	(247)
Net cash outflow from operating activities	(73,700)	(83,003)

6.2 Analysis of net Parliamentary financing

	2015-16 £000	2014-15 £000
From the Consolidated Fund (supply) - current year	73,397	83,250
Net Parliamentary financing	73,397	83,250

6.3 Reconciliation of net cash requirement to (decrease)/increase in cash

	2015-16 £000	2014-15 £000
Net cash requirement	(73,700)	(83,003)
From the Consolidated Fund (supply) - current year	73,397	83,250
(Decrease)/increase in cash	(303)	247

7 Third party repayments

	2015-16 £000	2014-15 £000
Balances due as at 1 April	(20)	(20)
Received	(246)	(257)
Paid	246	257
Balances held as at 31 March	(20)	(20)

The balance held for third parties is advance funding to cover the monthly cost of pensions paid on behalf of the Kenya Asian Officers' Family Pension Fund, administered by Crown Agents, and Pakistan High Commission.

8 Financial instruments

As the cash requirements of the Schemes are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to cash and the corresponding supply creditor which is all covered under the Government Banking Services contract which is controlled by HMRC, on behalf of Government Departments. Therefore, the Schemes are exposed to little credit, liquidity or market risk.

The carrying amounts of financial instruments as at 31 March 2016 were as follows:

	Note	2015-16 £000	2014-15 £000
Financial assets			
Receivables		277	161
Cash and cash equivalents	3	846	1,149
		1,123	1,310
Financial liabilities			
Financial liabilities at amortised cost	4	(1,618)	(1,729)
		(1,618)	(1,729)

9 Contingent liabilities

Contingent liabilities comprise:

- a liability of £85.0m (2014-15: £89.5m), primarily relating to the Hong Kong (Overseas Public Servants) Act 1996, Sterling Safeguard Scheme for value of public service pensions. The safeguard is the amount by which a member's safeguard pension exceeds the UK base pension plus pension increases in relation to the Supplementary Pension for Overseas Service (SPOS). The member's safeguard increases in line with UK inflation. If the Hong Kong pension ceased (either because of default by the government of the Hong Kong Special Administrative Region or because of a fall in the value of the Hong Kong dollar), then DFID would be responsible for paying the full safeguard pension or the SPOS pension, whichever is greater. This is recognised as a contingent liability (net of the SPOS and the safeguard liability already recognised in the pension liability) and is valued assuming that members' Hong Kong pensions ceased on 1 April 2016.
- a liability for spouses' pensions which may arise upon the event of the deaths of those members who have entitlements to a spouse's pension, but where the existence of a living spouse is not known to the Schemes. It is not possible to quantify the total value of contingent spouses' pensions at the Statement of Financial Position date due to a number of factors including the timing of outflows.

10 Related-party transactions

None of the managers of the Schemes, key managerial staff or other related parties have undertaken any transactions with the Schemes during the year.

11 Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the Accounting Officer authorises the accounts for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

No non-adjusting or adjusting events after the reporting date have been identified.

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