

NHS Pension Scheme

Annual Report and Accounts 2022-2023

For the period 1 April 2022 to 31 March 2023



NHS Pension Scheme

(Incorporating the NHS Compensation for Premature Retirement Scheme)

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For the period 1 April 2022 to 31 March 2023

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

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Accountability Report



Corporate Governance Report

Report of the Managers

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

1. Background to the Scheme

1.1 Statutory basis for the Scheme

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

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

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

The Scheme Accounts represent the combined position for both the 1995 and 2015 schemes.

Scheme provisions are governed by the following sets of Regulations:

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

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

1.2 Eligibility to join the Scheme

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

At 31 March 2023 there were 7,857 participating employers falling into the following categories:

Employer category	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
NHS Trusts and Local Health Boards (Note 1)	222	223	230
GP practices	6,376	6,516	6,590
Arm's length bodies	14	14	14
Direction bodies	541	517	524
Integrated Care Boards (from 1 July 2022 replacing Clinical Commissioning Groups) and Support Units	47	103	133
Local Authorities	126	130	133
New Fair Deal contracts	381	326	271
Independent Providers contracts (Note 2)	150	166	162
Total	7,857	7,995	8,057

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

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

2. Management of the Scheme

2.1 Organisations responsible for managing the Scheme

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

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

2.2 Cost of administering the Scheme

The cost of administering the Scheme for 2022-23 was met from the Scheme and was included in the Parliamentary Supply Estimate submitted to Her Majesty's Treasury (HMT). Further details can be found at note 3.4 of the Report of the Managers.

2.3 Cost of audit of the Scheme

The Comptroller and Auditor General is appointed by statute to audit these accounts and his certificate and report appears on pages 52 to 57. The notional cost for these financial statements in 2022-23 is £160,250 (2021-22 £139,000), which is recognised in the NHSBSA's accounts. The National Audit Office (NAO), as the Scheme's external auditors, provided no other services during the year.

2.4 Corporate governance of the Scheme

The governance arrangements of the NHSBSA, who are responsible for the administration of the Scheme, can be found in the Governance Statement on pages 29 to 45.

2.5 Arrangements governing determination of contribution rates and benefits

Actuarial valuation reports set out the rate of employer contributions required to meet the cost of Scheme benefits, calculated in accordance with valuation Directions made by HM Treasury. The balance of funding required to meet Scheme benefits is provided by Parliament.

A full actuarial (funding) valuation is undertaken every four years and its purpose is to assess the liability in respect of the benefits due under the Scheme (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from 1 April 2019 at 20.6% of member pensionable pay.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation, however, on 30 January 2019 the Government announced a pause to the cost control mechanism which was to form part of the valuation. This was due to a Court of Appeal ruling in December 2018 relating to the transitional protection offered to some members in the 2015 pension reforms. On 4 February 2021, the Government announced that the cost cap mechanism calculations would be completed allowing for the transitional protection remedy costs. HMT published valuation directions dated 7 October 2021 that set out the

technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the Scheme Actuary has completed the cost control element of the 2016 funding valuation for the NHS Pension Scheme.

The results for the Scheme were set out in the Government Actuary's Department report of 7 February 2022, which stated that the cost cap cost was within the +/-2% corridor specified in the HMT regulations and so no changes to benefits or member contributions were required. The treatment of the transitional protection remedy cost as a member cost for cost cap purposes was challenged in a judicial review which was heard in early 2023, an update on this review is detailed in note 5.4. A ruling against this remedy approach could have potentially resulted in higher costs of accrual from 1 April 2019 onwards.

The Government has set out changes to the operation of the employer cost cap that will be effective from the valuation of the Scheme as at 31 March 2020. The new mechanism will only allow for the reformed Scheme, will have an increased cost cap corridor of +/-3% and will also now include an economic check, which means that a breach would only result in changes if there was still a breach once the impact of any change in the discount rate has been taken into account. There is no impact to the 2022-23 accounts as a result of these reforms.

The next actuarial valuation is due with an effective date of 31 March 2020 and is due to be completed later in 2023. Changes to employer contribution rates as a result of the 2020 valuation are expected to take effect from April 2024.

3. Key developments in year

3.1 Changes to Scheme contribution rates

Employee contribution rates changed from 1 October 2022 to the rates detailed below. Part time member contribution rates were also amended to actual pensionable pay as of 1 October 2022, and were previously based on whole time equivalent (WTE) pensionable pay.

Pensionable Pay	Contribution rate from 1 October 2022
£0 to £13,246	5.10%
£13,247 to £16,831	5.70%
£16,832 to £22,878	6.10%
£22,879 to £23,948	6.80%
£23,949 to £28,223	7.70%
£28,224 to £29,179	8.80%
£29,180 to £43,805	9.80%
£43,806 to £49,245	10.00%
£49,246 to £56,163	11.60%
£56,164 to £72,020	12.50%
£72,031 and above	13.50%

3.2 Changes to Scheme benefits

The relaxation to the suspension Regulation for members of the 1995 Section continued before being completely removed from 1 April 2023. Abatement Regulations will also continue to be relaxed during 2023-24 except for those retiring prematurely on ill health or interest of efficiency of the service grounds. These provisions were introduced by the DHSC as part of the Coronavirus Act 2020.

The Public Service Pensions Revaluation Order 2023 prescribed the date revaluation applied to 2015 Scheme pension benefits as 6 April 2023. Pension benefits built up in the 2015 Scheme up to 31 March 2023 were revalued on this date rather than the 1 April 2023.

3.3 Membership statistics (movement in year)

Active members		
	Total active members at 1 April 2022 (note 1)	1,742,809
Add:	New entrants	237,249
	Deferred members who re-join in the year	104,224
	Re-employed pensioners	3,916
	Total joiners	345,389
Less:	Retirements	(31,984)
	Leavers with deferred pension rights	(174,851)
	Members who opt-out with deferred pension rights	(64,780)
	Deaths	(1,273)
	Total leavers/death in service	(272,888)
	Total active members at 31 March 2023	1,815,310
Deferred members		
	Total deferred members at 1 April 2022 (note 1)	746,230
Add:	Members leaving active membership with deferred pension rights	239,631
	Total new deferred and unclaimed benefits	239,631
Less:	Members taking up deferred pension rights	(14,115)
	Members who re-join the scheme	(104,224)
	Movement to unclaimed refund (note 2)	(50,394)
	Members taking a refund of contributions during year	(42,313)
	Transfers out	(1,421)
	Death of member	(834)
	Total removed from deferred population	(213,301)
	Total deferred members at 31 March 2023	772,560
Pensioners in payment (including Compensation Scheme)		
	Total pensions in payment at 1 April 2022 (note 1)	1,068,205
Add:	Members retiring from active	31,984
	Members retiring from deferred	14,115
	Widows and dependants	7,723
	Total benefits into payment	53,822
Less:	Deaths	(23,415)
	Other cessations (note 3)	(149)
	Child dependants leaving full time education	(75)
	Total benefits ceased in the year	(23,639)
	Total pensions in payment at 31 March 2023	1,098,388

Membership Statistics Notes

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

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

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

Note 4: The membership data at 31 March 2022 differs from that disclosed in the Report of the Actuary as the data extract provided to GAD was taken in November 2022, whereas these statistics were taken from a data extract provided in April 2023 and member data is continually updated after the year end.

3.4 Scheme administration levy

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

On 1 April 2017 the Department of Health and Social Care (DHSC) introduced a levy to cover the cost of the administration of the Scheme. DHSC has determined that participating employers will be required to pay 0.08% of pensionable pay for their staff who are members of the Scheme. In introducing the levy, it is anticipated that the relationship between employers and the Scheme should become more client focussed, leading to an administration service that is more responsive to employer needs. The Scheme Regulations were amended when the levy was introduced so that the rate of the levy will be reviewed every four years in conjunction with the Scheme Funding Valuation. The rate is now under consideration in conjunction with the 2020 Funding Valuation.

During 2022-23 the cost of Scheme administration was £43.26 million (see note 10 to the accounts), and £40.75 million was received from NHS employers via the levy (see note 5 to the accounts). Due to the nature of the funding arrangement, the cost of administration and the income received will not net off in any one year.

4. Performance and Position

4.1 Financial position at 31 March 2023

4.1.1 Resource Outturn to Supply Estimate

The 2022-23 net resource outturn was £44.69 billion and was within the voted estimate of £47.15 billion. Details can be found in the Combined Statement of Comprehensive Net Expenditure (page 59) contained within the financial statements. An explanation of the variance is provided in the SoPS1 note on page 48.

4.1.2 Net cash requirement

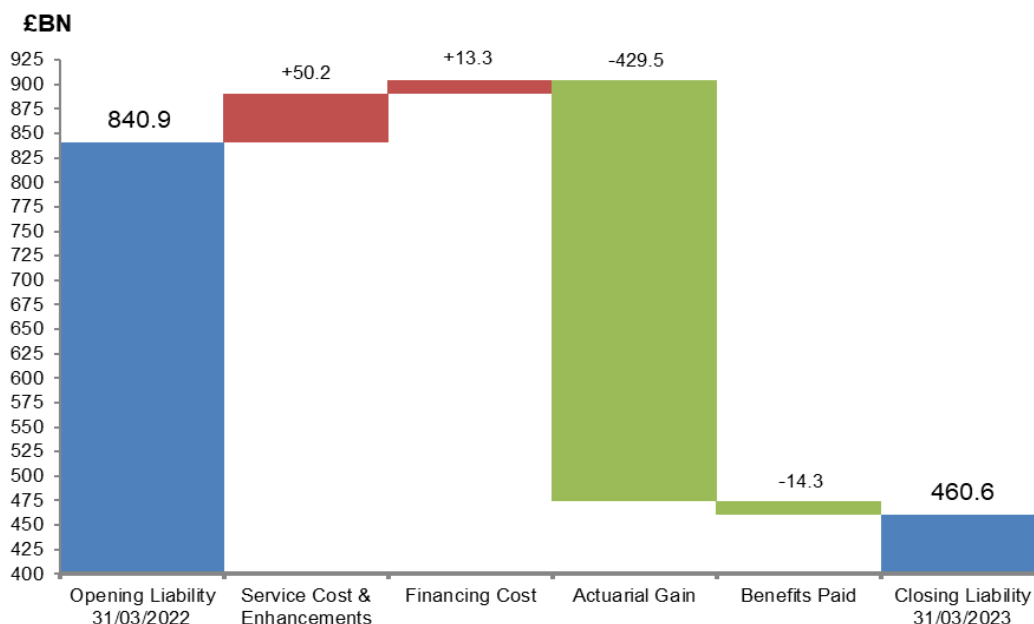
In cash terms, the Scheme recorded a Net Cash Requirement (NCR) of minus £4.32 billion against the voted estimate of minus £3.45 billion, this means the Scheme has surplus cash due to income exceeding pension benefit payments, and the £4.32 billion will be returned to Treasury during 2023-24.

The Scheme is currently operating with a net cash surplus (negative Net Cash Requirement), due to receipts exceeding the payments made, and this surplus is returned to HMT during the following financial year. If payments are forecast to exceed income within a financial year the balance of the funding required is requested from Parliament through the annual Supply Estimates process.

The cash flows of the Scheme are classed as Annually Managed Expenditure (AME) for government accounting purposes.

4.1.3 Financial position and key movements

As at 31 March 2023 the pension liabilities of the Scheme were valued at £460.6 billion. This is a decrease of £380.3 billion from the liabilities at 31 March 2022 of £840.9 billion. As the NHS Pension Scheme is an unfunded scheme, these liabilities are underwritten by the Exchequer. Details of the key movements are shown in the diagram below and within Note 17.4 to the accounts.



4.1.4 Service Cost

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

The 2021-22 service cost of £40.8 billion was calculated using the accounts assumptions at 31 March 2021, and the 2022-23 service cost of £50.1 billion was calculated using the accounts assumptions at 31 March 2022. The change in service cost from year to year reflects the change in the accounts assumptions at each date. The assumptions at 31 March 2022 are set out in Table D of the Statement by the Actuary.

4.1.5 Prior period adjustment

The above notes 4.1.3 and 4.1.4 contain restated figures for 2021-22 due to a prior period adjustment. Details for the reason for restatement can be found at note 18 within the Notes to the Financial Statements.

4.1.6 Contingencies Fund Advance

A combination of factors contributes to the Scheme requiring additional funding outside of the main Parliamentary Estimate process to ensure benefits are paid on their due date each month. The primary reason for this relates to the timing of the receipt for the majority of the contributions paid by employers being due by the 19th of the month, for the previous month's payroll. The Scheme receives on average over £1.2 billion near to or on this payment deadline date. The Scheme also has to surrender any surplus cash at year end to HMT, within the first quarter of the following financial year, and this cannot be utilised in subsequent cash flow requirements.

To meet the cash flow requirement to pay member benefits from the 1st to the 18th of the month, the Scheme submitted a request for £1.23 billion to HMT to draw money from the Contingencies Fund (under section 5.14e of the Supply and Estimates Guidance manual). The funds were drawn down on 1 April 2022 and repaid to the Contingencies Fund in full during 2022-23 with the final payment being made on 1 August 2022.

The Scheme has requested to draw down £1.395 billion from the Contingencies Fund in 2023-24, as the same scenario exists as described above. The full amount will be repaid in 2023-24.

5. Key activities during 2022-23

5.1 Customer satisfaction surveys

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

The Monthly Customer Satisfaction Survey is one of the ways in which the business gathers customer feedback. It provides both scheme members and employers with the opportunity to provide insight on our key responsibilities as a business and provide feedback on their thoughts, feelings, and opinions on the service that they receive. The key question on the survey that we ask is for the overall satisfaction with all aspects of the service provided by NHS Pensions. This allows us to calculate the Net Promotor Score (NPS) – overall satisfaction with the service.

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

Our score average compared to previous years has remained similar. Key themes for members include improving processing times and communication as well as providing accessible and easy to understand information. For employers it was to improve the employer website, provide more training opportunities and improve the quality and efficiency of employer queries.

A new team who are solely focussed on Customer Improvement has been introduced during 2022-23. This team, with the support of the Stakeholder Engagement Team, will work through any agreed actions and implement any changes and improvements that are identified from the Monthly Customer Satisfaction Surveys.

	Active and deferred pension members			Retired pension members			Pension employers		
	2022-23	2021-22	2020-21	2022-23	2021-22	2020-21	2022-23	2021-22	2020-21
Number of completed surveys	16,755	12,556	8,203	2,043	3,854	n/a*	1,390	1,427	1,342
Net promotor score (NPS)	5.6	5.5	5.6	7.0	8.1	n/a*	7.2	7.2	7.2

* The retired pensions members survey was not conducted in 2020-21. It was last conducted in March 2020 (although not reported until June 2020 due to the pandemic) and was not requested to be conducted during the COVID-19 pandemic.

5.2 Pensions Digital Transformation – Member Services

Following the decision in 2020-21 to move from an in house build for a Member Services portal to a product supplied by the incumbent pensions administration system supplier there has been minor finalisation work in the digital arena during 2022-23.

The My NHS Pension member portal was delivered into private Beta for all NHSBSA employees who were members of the scheme in July 2022 to allow for early adopter testing. Further development based on user feedback and continued development from the Minimum Viable Product (MVP) was completed in order to support the intent to roll out to further members during the latter part of 2022-23. Onboarding plans were created for the further rollout but had to be paused due to issues with accessibility that were deemed to be present in the solution.

The accessibility issues were resolved before the end of 2022-23, with the intention to recommence onboarding of further members from during the start of 2023-24.

5.3 NHS Pensions McCloud Programme

An outcome of the development and implementation of the new NHS 2015 Pension Scheme was that all members were automatically moved to the new Scheme in April 2015, unless they were covered by 'transitional protection' which was granted to some members based upon their proximity to retirement. Members of the Judicial and Firefighters' pension schemes challenged the application of transitional protection aspects of the move to the 2015 scheme, and in December 2018 the Court of Appeal ruled that the difference in treatment provided by transitional protection was not objectively justified and constituted unlawful age discrimination.

Following the Supreme Court's decision to deny the Government leave to appeal, the Government announced that all public sector pension schemes would need to rectify any discrimination suffered by its members.

There are two aspects to address the implications of this ruling:

- Addressing the discrimination suffered by members of the NHS Pension Scheme through the application of the transitional protection; and
- Ensuring the long-term sustainability of the NHS Pension Scheme, as per the original findings and recommendations made by the 2011 Independent Public Service Pensions Commission Report, led by Lord Hutton.

In response to this the Department of Health and Social Care (DHSC) have established a Programme with three core projects:

- **NHS Pensions Reform Project** to ensure the long-term viability of the NHS Pension Scheme beyond 2022;
- **NHS Pensions McCloud Remedy Project** to rectify any discrimination suffered by members through the application of transitional protection; and
- **NHS Pensions McCloud Engagement Project** to ensure timely, accurate and effective engagement with all stakeholders throughout the implementation of all NHS pensions McCloud projects.

5.3.1 NHS Pensions Reform project

The main areas of delivery for the McCloud Reform project during 2022-23 were as follows:

- Member contribution changes - delivery of changes to member contribution tiers,
- Legacy Scheme changes - changes to 1995 section re-employment options.

Member Contribution Changes

DHSC proposed through a formal public consultation to make changes to the member contribution tiers and tables and a change from basing contributions rates on Notional Whole Time Equivalent pay to a system based on actual earnings. The original intent was for changes to be delivered from 1 April 2022.

Following the conclusion of the consultation in January 2022 DHSC advised that the changes would be implemented from 1 October 2022.

A full project plan was produced to support this work, including briefings and the provision of requirements to all payroll providers for the system changes, the direct mailing to 1.7 million members, and wider communication products including a dedicated contact line for this specific change to reduce impact on Contact Centre work.

The changes were successfully implemented on 1 October 2022.

Legacy Scheme Changes

DHSC proposed through a formal public consultation to implement a number of changes to the Scheme to help retain more experienced clinicians and remove barriers to staff returning to work following retirement.

Following the conclusion of the consultation in January 2023 DHSC advised that the following changes would be implemented from 1 April 2023:

- A change in regulations to allow 1995 section pensioners who had become re-employed in the NHS to re-join the Scheme and build up further benefits in the 2015 Scheme,
- A change in regulations to allow members who choose to re-join the NHS following retirement to work as many hours as they want straightaway. Previously members of the 1995 section were limited to working 16 hours per week in the first month after retirement to avoid having their pension payments affected,
- A change in regulation to align the increases used in pension benefit revaluation with the CPI used to calculate the pension growth for annual allowance tax calculation. On 1 April each year, 2015 Scheme pensions are revalued by a Treasury Order plus 1.5% to ensure their value will be above inflation. However, from this year (2023) onwards it will happen from 6 April instead, meaning the pension growth calculation will only consider growth in pension benefits above inflation.

A full project plan was produced to support this work, including briefings and the provision of requirements to the pensions systems supplier for the relevant changes, the direct mailing to 1.7 million members, and the wider communication products for employers and members.

The changes were successfully implemented on 1 April 2023.

Following the conclusion of the consultation in January 2023 DHSC also advised that the following changes were required to be implemented from 1 October 2023:

- A change in regulation to introduce partial retirement options for members with 1995 section benefits so that they can claim (drawdown) up to 100% of their 1995 section benefits once they reach minimum pension age, whilst they continue to work and accrue further pension in the 2015 Scheme,

- A change in regulation to expand partial retirement options for members with 2008 Section and 2015 Scheme benefits, to increase the maximum amount of pension they can claim (or drawdown) from 80% to 100%.

A full project plan has been produced to ensure that implementation is achieved on 1 October 2023.

5.3.2 NHS Pensions McCloud Remedy project

Initial expectations were that the McCloud Remedy project would be delivering Immediate Detriment cases during 2021-22 for those members most affected by the discrimination that had been identified by the McCloud ruling.

Due to continued delays that were experienced in the production and release of the suite of Provision Definition Documents (PDD) from HMT, which were required by all public sector schemes to enable them to commission system suppliers and complete resource and budget plans, the commencement of McCloud Remedy has not taken place during 2022-23.

Scheme Regulation changes are to be produced based on the interpretation of the PDDs and were laid before Parliament in August 2023 following a public consultation.

This has meant a replan of the McCloud Remedy project with the current Go-Live date now being 2024.

5.3.3 NHS Pensions McCloud Engagement project

The McCloud Engagement project runs in parallel with both the Reform and Remedy projects and supplements them with dedicated Engagement and Communications products and workstreams.

Due to the delays outlined above there has been limited engagement work on Remedy, however, there has been an extensive communication and engagement exercise that has supported the delivery of those elements of Reform that have taken place.

5.4 Events after the reporting period

Judicial Review – McCloud Remedy Costs

In December 2021 several unions filed for a joint judicial review against the Government on the inclusion of the McCloud remedy costs within the cost control mechanism at the 2016 valuations (refer to note 2.5). The judicial review was heard in early 2023 and the claims made in the judicial review were dismissed by the High Court, in a judgment handed down on Friday 10 March 2023. Permission to appeal this judgement was granted by the Court of Appeal on 26 May 2023, the outcome of this appeal will become known in due course.

6. Key activities arising for 2023-24

6.1 Pensions Digital Transformation- Member Services

During 2023-24 we will deliver our onboarding programme to enrol members onto the My NHS Pension portal following the completion of the changes identified by user testing and accessibility at the end of 2022-23.

Onboarding will initially be focussed on non ESR members who will require access to the portal to enable them to view their TRS statement due to the de commissioning of Gov.UK Verify.

In addition to delivering against the onboarding plans we will be working with stakeholders to iteratively develop additional functionality and features to drive the transformation of how our services are delivered in a more digital format.

6.2 NHS Pensions McCloud Programme

During 2023-24 the McCloud Programme will deliver the second phase of member contributions (due from 1 April 2024) and legacy scheme reforms and will continue the preparation work on Remedy for delivery in 2024-25, with the Engagement project supporting both.

6.2.1 NHS Pensions McCloud Reform project

The Reform project will support the delivery of the partial retirement legacy scheme changes which are due to come into force on 1 October 2023.

6.2.2 NHS Pensions McCloud Remedy project

During 2023-24 the McCloud Remedy project will move from the preparatory phase and commence delivery preparations including High Level Business Requirements (HLBRs) for engagement with our system supplier to support the commencement of both Retrospective Remedy for those members who have already retired, died or had a benefit crystallisation event, and Choice at Retirement for those members who will retire after October 2023 and are eligible for a McCloud Remedy Choice.

The main areas of work will be as follows:

- Assessment of Provision Definition Documents for Scheme (PDDs) specific impact,
- Specific work on priority rejected ill-health cases,
- Creation of requirements for systems development based on PDDs,
- Creation of requirements for modeler based on PDDs,
- HLBRs created and passed to system supplier based on suite of PDDs,
- Retrospective Remedy pre-work including staff training and process guide development,
- Pipeline Remedy pre-work including staff training and process guide development,
- Development, testing and release of Retrospective Remedy Systems,
- Development, testing and release of Pipeline DCU Systems,
- Development, testing and release of Modeler.

6.2.3 NHS Pensions McCloud Engagement project

Following supporting of the Reform project, the Engagement project will move on to working in conjunction with the Remedy project to ensure that a substantive and comprehensive suite of

support products are available for members, employers, and all stakeholders so that the various journeys through McCloud Remedy delivery are understood by all who are affected.

The project will support in the identification of required communication products, liaison with the Remedy project with respect to supporting procurement of a third-party print supplier for Remedy delivery, and actively manage stakeholder engagement throughout the pre delivery period running up to commencement of Remedy in April 2024.

7. Information for members

7.1 Pension Increase

The Pensions increase rate was 3.1% (2021-22 0.5%) with effect from 11 April 2022 (2021-22 12 April 2021) which applies to the NHS Pension Scheme and NHS Compensation for Premature Retirement Scheme.

7.2 Supplementary Information available to members

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

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

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

7.4 Management structure and advisors

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

Bankers:

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

7.5 Further information

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

Scheme Administrator
NHS Business Services Authority - Pensions
PO Box 2271
Bolton
BL6 9JU

7.6 Disclosure of audit information to the auditors

As far as I am aware, there is no relevant audit information of which the Scheme auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Scheme auditors are aware of that information.

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

Michael Brodie
Chief Executive, NHS Business Services Authority
5 September 2023

Statement by the Actuary

1. Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the NHS Business Service Authority (NHSBSA). It provides a summary of GAD's assessment of the scheme liability in respect of the NHS Pension Scheme (NHSPS) as at 31 March 2023, and the movement in the scheme liability over the year 2022-23, prepared in accordance with the requirements of Chapter 12 of the 2022-23 version of the Financial Reporting Manual.

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

The assessment has been carried out by calculating the liability as at 31 March 2022 based on the data provided as at 31 March 2022 and rolling forward that liability to 31 March 2023.

2. Membership data

Tables A to C summarise the principal membership data as at 31 March 2022 used to prepare this statement.

Table A – Active members

	Number thousands	Total pensionable pay* (p.a.) £ millions
Males	395	16,917
Females	1,363	40,348
Total	1,758	57,265

* Pensionable pay is the actual figure.

Table B – Deferred members

	Number thousands	Total deferred pension* (p.a.) £ millions
Males	169	798
Females	540	1,640
Total	709	2,438

* Pension amounts include the pension increase granted in April 2022.

Table C – Pensions in payment

	Number thousands	Annual pension* (p.a.) £ millions
Males	212	4,162
Females	730	5,634
Spouses & dependants	106	642
Total	1,048	10,438

* Pension amounts include the pension increase granted in April 2022.

3. Methodology

The present value of the liabilities as at 31 March 2023 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2023. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2023 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2022 in the 2021-22 accounts.

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

4. Financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2023	31 March 2022
	p.a.	p.a.
Nominal discount rate	4.15%	1.55%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.40%	2.90%
Rate of general pay increases	3.65%	4.15%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	1.70%	(1.30)%
• Long-term pay increases	0.50%	(2.50)%
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2023.

5. Demographic assumptions

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

Table E – Post-retirement mortality assumptions

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

These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those recommended for the 31 March 2020 funding valuation of the scheme. The 2021-22 accounting results have been restated to provide an updated assessment of scheme liability, costs, and contributions to reflect a revision to the post-retirement mortality assumptions. The same post-retirement mortality assumptions apply at 31 March 2022 as at 31 March 2023.

Mortality improvements are assumed to be in line with the 2020-based projections for the United Kingdom published by the ONS in December 2022. This is a different assumption to that used for the 2021-22 accounts.

Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 13 June 2023.

6. Liabilities

Table F summarises the assessed value as at 31 March 2023 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in the sections below. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2022 and 2023 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F – Statement of Financial Position

	31 March 2023	31 March 2022
	£ billion	£ billion
Total market value of assets	nil	nil
Value of liabilities	460.6	840.9
Surplus/(Deficit)	(460.6)	(840.9)
of which recoverable by employers	n/a	n/a

7. Accruing costs

The cost of benefits accrued in the year ended 31 March 2023 (the current service cost) is assessed as 82.0% of pensionable pay.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. A current service cost below (or above) the total contribution rate does not indicate that employers and employees have collectively paid contributions more (or less) than the costs of benefits accrued during the year. Members contributed between 5.0% and 14.5% of pensionable pay, until 1 October 2022, then 5.1% and 13.5% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2022-23 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2022-23 accounts.

Table G – Contribution rate

	2022-23 % of pay	2021-22 % of pay
Employer contributions	20.6%	20.6%
Employee contributions (average)	10.0%	9.9%
Total contributions	30.6%	30.5%
Current service cost (expressed as a % of pay)	82.0%	71.8%

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

The pensionable payroll for the financial year 2022-23 was £61.1 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2022-23 (at 82.0% of pay) is assessed to be £50.1 billion. This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any other events that have led to a material past service cost over 2022-23.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2022-23.

8. Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2023 of changes to the most significant actuarial assumptions.

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

Table H shows the indicative effects on the total liability as at 31 March 2023 of changes to these assumptions (rounded to the nearest 0.5%).

Table H – Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*: p.a.	+0.5%	- 9.0%	- £41.5 billion
(ii) (long-term) earnings increase*: p.a.	+0.5%	+ 1.0%	+ £4.6 billion
(iii) pension increases*: p.a.	+0.5%	+ 9.0%	+ £41.5 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 3.0%	+ £13.8 billion

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

The discount rate sensitivity shown implies a scheme duration of c.19 years.

9. Covid-19 implications

As with the accounts last year, the 2022-23 Resource Accounts are being produced when the UK continues to deal with the impacts of the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

The current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. When deriving the ONS 2020-based mortality improvement projections, a panel of mortality experts gave their views on the impact of the Covid-19 pandemic on mortality rates in the short term. Based on this, short term adjustments were made to the 2019 to 2024 period to allow for estimated deaths in 2021 and an averaging of the experts' views on estimated improvements by age group over this period. Long term rates of future mortality improvement are not projected to change as a result of Covid-19. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. I expect that the long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2022) 08, dated 2 December 2022, and remain unchanged from these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

The long-term salary assumption is set by the NHSBSA, having taken actuarial advice, and is intended to be an average over the future careers of Scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budgetary Responsibility.

Aimee Chadha FFA
Actuary
Government Actuary's Department
5 July 2023

Statement of Accounting Officer's Responsibilities

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

In preparing the Accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- Observe the Accounts Direction issued by HMT including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis,
- Make judgements and estimates on a reasonable basis,
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, or disclose and explain any material departures in the financial statements,
- Prepare the financial statements on a going concern basis; and
- Take personal responsibility for the annual report and financial statements and the judgements required for determining that as a whole are fair, balanced, and understandable.

The Principal Accounting Officer for the DHSC has appointed the Chief Executive of the NHSBSA as the Accounting Officer for the NHSBSA and NHS Pension Scheme (incorporating the NHS Compensation for Premature Retirement Scheme). The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in Managing Public Money published by HMT.

Annual Governance Statement

Introduction

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

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

Scope of Responsibilities

The NHSBSA's Board is accountable for internal control, ensuring that its business is conducted in accordance with the law and proper standards. It also ensures that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively in accordance with HMT's Managing Public Money. In discharging this responsibility, the Board is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions. This includes ensuring that a sound system of internal control is maintained throughout the year which supports the achievement of the NHSBSA's policies, aims and objectives and arrangements are in place for the management of risk.

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

The purpose of the Governance Framework

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

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

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

The governance framework and system of internal control have been in place for the year ended 31 March 2023 and up to the date of the approval of the Annual Report and Accounts.

NHSBSA Governance Framework

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

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

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

NHSBSA Board

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

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

The roles and responsibilities of the Audit and Risk Management Committee are described more fully below.

Board membership and responsibilities

Membership of the Board is currently made up of a non-executive Chair, four non-executive directors (five until 31 December 2022), Chief Executive and five executive directors (three until 1 September 2022), one of which is a finance director. The key roles and responsibilities of the Board are:

- To set and oversee the strategic direction of the NHSBSA,
- Continued appraisal of the financial and operational performance of the NHSBSA,
- To discharge their duties of regulation and control,
- To receive reports and updates from the Standing Committees,
- To approve and adopt the Annual Report and Accounts.

The Board has met eleven times up to the end of March 2023 and is responsible for approving the business plan and budget. Subsequent reporting is based on an exception principle ensuring that the Board focuses on key issues and utilises its time effectively.

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

At each meeting, the Board receives an integrated balanced scorecard which summarises:

- Performance against the identified key performance indicators and strategic goals including critical measures,
- The current financial position,
- People related issues,
- Customer insight including satisfaction, complaints, and contact volumes,
- Digital take up,
- Progress against key change projects,
- Business development pipeline,
- Corporate risks and issues.

The data presented to the Board is produced and quality assured by the NHSBSA's Performance and Data & Insight teams adopting the six dimensions of data quality (Accuracy, Validity, Reliability, Completeness, Relevance and Timeliness).

The NHSBSA's Senior DHSC Sponsor is also invited to Board meetings to ensure members of the Board, in particular non-executive directors, are able to get an understanding of the key stakeholders' views.

Board members must declare their interests to the Chair and Head of Governance in any matter relating to the NHSBSA's business at the time that they become aware of a potential conflict. Members will normally be excluded from the discussion after declaring an interest related to that issue. The minutes of the meeting will record the member's declaration. The Register of Board Member's Declared Interests for the financial year is available on the NHSBSA website.

NHSBSA Board review of effectiveness

The NHSBSA Board is required to consider its own effectiveness on a regular basis. The NHSBSA undertakes such a review annually.

The Board engaged an independent and experienced assessor to undertake the review for 2022-23. The review also incorporated a review of Chair Effectiveness. The process included interviews with all Board members and meeting observation.

The results of the review indicated that the requirements of the Code of Good Practice for Corporate Governance and FRC Guidance on Board / Chair Effectiveness where relevant for NHSBSA as an ALB were being met. All required responsibilities were being suitably discharged with members consistently expressing positive affirmations against all key areas covered. In the spirit of continuous improvement, the reviewer identified some opportunities to further enhance the effectiveness of arrangements. These included continuing to develop the format of Board papers and further developing opportunities for Board member engagement outside formal meetings. The recommendations were accepted by the Board and actions taken forward.

During 2022-23, the Board continued to operate within its governance framework and codes of conduct. Furthermore, the NHSBSA has:

- Achieved its financial targets,
- Delivered against the majority of its agreed key performance indicators,
- Continued to operate its assurance process through the assurance map process,
- Maintained its robust performance reporting mechanism using a dashboard style approach,

- Maintained its risk management procedures using dashboard reporting giving an overview of the risk profile of the whole organisation yet focusing attention on relevant areas; and
- Maintained an effective, risk-based internal audit programme, ensuring internal audit recommendations are addressed appropriately.

Audit and Risk Management Committee

The Committee is chaired by a non-executive director and has met five times during 2022-23. Membership of this Committee is made up of three non-executive directors including the Chair, one of whom is required to have recent and relevant financial experience. Kathryn Gillatt provides this experience and chairs the Committee. There is also a requirement for regular attendance from the Executive Director of Finance and Commercial Services and representatives from both internal and external audit. The Chief Executive and Accounting Officer also attends the meeting, included specifically to discuss the assurance processes which support the production of the Annual Report and Accounts. Other staff are invited to attend meetings as appropriate.

Audit and Risk Management Committee	Meetings Attended
Non-executive Directors: Kathryn Gillatt (Chair of Committee) Debra Bailey Mel Tomlin	5 of 5 4 of 5 5 of 5
Executive Directors: Michael Brodie (Chief Executive) Mark Dibble (Executive Director of People and Corporate Services) Andy McKinlay (Executive Director of Finance and Commercial Services)	5 of 5 5 of 5 4 of 5

The Committee is responsible for providing the Board with an independent and objective view of the adequacy and effectiveness of the NHSBSA's governance and assurance arrangements, including the governance framework, risk management, controls, and related assurances. Updates are provided to the Board following each meeting and subsequent Board meetings receive copies of the confirmed minutes. An annual report is submitted to the Board which summarises the work undertaken by the Committee during the previous year. In addition, the Committee receives an annual review of the NHSBSA Risk Management Framework. This is reviewed annually at the June Audit and Risk Management Committee. The most recent review concluded that the framework was effective and fit-for-purpose.

The Audit and Risk Management Committee's key responsibilities are:

- Monitoring financial governance and reviewing the draft financial statements of the NHSBSA and the Scheme,
- Reviewing the effectiveness of internal controls,
- Monitoring the effectiveness of risk management controls,
- Monitoring the effectiveness of fraud and security management,
- Seeking assurance regarding the control environment,
- Reviewing the effectiveness of internal audit arrangements.

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

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

Audit and Risk Management Committee review of effectiveness

The Committee reviewed its effectiveness using an online survey sent to each member and regular attendee. Overall, the results were highly positive and confirmed the continued effectiveness of the Committee.

The full terms of reference for this Committee can be found in the NHSBSA's Corporate Governance Framework which is published on the NHSBSA website:

www.nhsbsa.nhs.uk/our-policies/governance-framework

NHSBSA Sponsorship Arrangements

The NHSBSA manages a complex range of business activities on behalf of the DHSC. Accountability arrangements with the Department comprise an overall Senior Departmental Sponsor, with individual sponsors providing policy direction for each core service stream, including the administration of the NHS Pension Scheme.

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

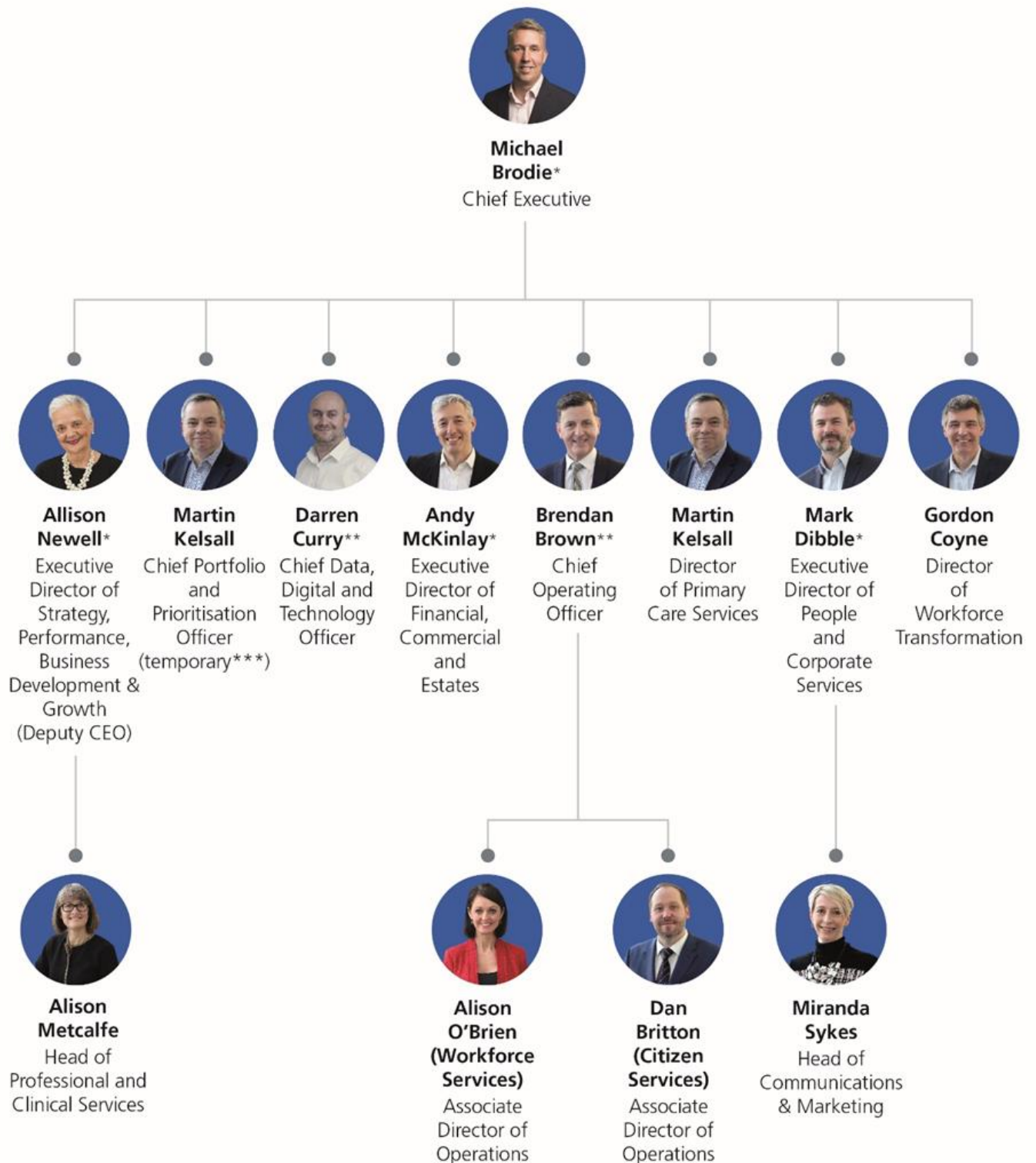
External Auditors

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

NHSBSA management

Other than those matters reserved for the Board, responsibility for the day-to-day management of the NHSBSA is delegated to the Chief Executive, who is the Accounting Officer. The Chief Executive is supported by a Leadership Team as shown below. The operation of the NHS Pension Scheme is managed within NHS Retirement Services. The financial reporting and accounting for the Scheme is managed within Finance, Estates and Commercial Services.

NHSBSA Leadership Team



* Board members.

** Board members from 1 September 2022.

*** Nick O'Reilly until 1 January 2023.

Key governance systems

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

- Risk management,
- Assurance,
- Managing information.

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

Risk Management

Risk appetite - Risk appetite can be defined as the amount of risk that an organisation is willing to seek or accept in the pursuit of its long-term objectives. The NHSBSA Board review and agree the organisation's Risk Appetite Statement at the start of each year, setting appetite levels for key areas. The NHSBSA's aim is to seek to terminate, treat, tolerate, or transfer risks as appropriate to ensure that it meets its objectives.

Process – The NHSBSA Risk Management Framework comprises:

- Risk management policy,
- Risk management methodology,
- Risk and Issue register.

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

- Services / Corporate Teams – Risks and issues are managed on an ongoing basis as part of business-as-usual, with registers owned and managed by the Head of Service,
- Project / Programme – Risks are reviewed and managed by Project Managers as part of the project governance process. Significant risks and issues are escalated to the Programme Manager and Portfolio Board,
- Corporate – Each quarter the Leadership Team review the top-level Corporate Risk Register. This review is informed by collated versions of team and project risk registers, and a paper produced by the NHSBSA Risk Management Group. The Leadership Team is also free to identify further risks and issues at this meeting,
- Audit and Risk Management Committee – The Committee receives updates on the work undertaken in the area of risk and issue management. The Committee also receives a copy of the Corporate Risk Register, and 'Areas of Focus' presentations on specific risk/issue areas. This process enables the Committee to provide assurances to the Board that the appropriate risk management processes are in place and risk mitigation is taking place.

Significant risks and issues

In a dynamic and complex business environment significant risks can always be encountered. The following summarises the ongoing significant risks and issues that are specific to the Scheme at the end of 2022-23, focusing on the most highly rated and of significance for our stakeholders.

Significant risks and issues managed and closed in year

Contact centre recruitment

As a result of the way people work post-pandemic and increased national competition for jobs, it has become increasingly difficult to attract, recruit and retain frontline agents within the contact centre putting service delivery KPIs and service quality at risk.

Service management teams, alongside our central People Team, have worked on a range of mitigation actions to address this risk, including working closely with our recruitment suppliers, streamlining our internal recruitment processes, broadening the reach of our recruitment, and ensuring that the business continues to be an attractive proposition for new and existing colleagues.

Our Customer and Contact Services have also partnered with an outsourcing supplier to support recruitment and deliver aspects of our current service portfolio. This has allowed flexibility to run parallel recruitment campaigns and mitigate risks of unexpected attrition and growth in contact volumes.

Delivery of change

As a result of increased demand for our services and capabilities from DHSC and other stakeholders in the health and care system, coupled with resource constraints, there was a risk that our change portfolio became overloaded, which may have resulted in issues in delivering new services, delivering service improvements, impact on our people, and reputational damage.

In response to this risk the Leadership Team sponsored our Internal Auditors to undertake a review of the business's approach to portfolio management. Key recommendations from this audit were implemented, including having a dedicated Chief Portfolio Officer.

Further actions to mitigate the risk have commenced and include a focus on proactive recruitment based on the change pipeline, increased capacity within the Portfolio Team, and increased focus on the development of relationships and joint working with our commissioners to ensure a shared understanding of required lead times and any resource constraints. Whilst the completion of this work will require more time in 2023-24, the Leadership Team also agreed that the addition of risks/ issues to their Risk Register linked to specific deliverables is of more value re risk/ issue monitoring and agreement of mitigations.

Pensions awards increase key performance indicator failure

Due to a 35% increase in Pensions awards payable in April 2022 in comparison with the previous year and an increase in manual calculations due to the McCloud changes, KPIs for Pensions awards were below the target of 99.50% from May 2022. A remedial action plan was created and delivered which recovered the KPI in October 2022. The corporate issue was closed once the KPI had recovered.

COVID-19 / Pandemic

Following the closure of the COVID-19 Issue during 2021-22, the Leadership Team agreed to continue to monitor the risks posed in the event of either a resurgence of COVID-19 or another pandemic event during 2022-23. The business continuity measures introduced during the COVID-19 pandemic have increased the business's resilience and readiness for such future events and have been embedded in the Business Continuity Plans maintained by each service area.

Therefore, the decision was made to close the risk on the Corporate Risk Register at the end of March 2023.

National energy supply issues

Due to the ongoing energy supply issues across the country, a risk was identified that NHSBSA activities could be impacted if power supplies were disrupted. To mitigate this risk, business continuity plans were reviewed, and following a period of monitoring, the Leadership agreed that the risk on the Corporate Risk Register would be closed at the end of March 2023.

Current risks / issues

Public Sector Pensions ruling

Within the three projects aligned to the McCloud Public Sector Pensions ruling we have successfully delivered a number of Reforms in the last twelve months aligned to the transition of members from the old legacy Schemes to the reformed Schemes, alongside delivering changes to the member contributions tiers in October 2022 and Pensionable Re-Employment for 1995 Scheme members from 1 April 2023.

We have completed significant volumes of communications with members and employers including direct mailing to all eligible members (2.1m direct mailings) advising them of the changes delivered to date.

There has been some significant increase in the scope of the work commissioned by DHSC for the Reform element of McCloud which has caused some deferment of work on the Remedy aspects of the programme. We continue to amend proposed delivery timelines and liaise with DHSC to ensure we have approval for the proposed delivery intent. We are on track to commence Remedy work from October 2023 and will continue to assess the chronology of delivery for all aspects McCloud delivery in partnership with our commissioners and senior stakeholders, whilst continuing to monitor and manage the risk of administration work growing beyond planned capacity.

Colleague attraction and recruitment

As a result of changes to the way people can work post-pandemic and increased national competition, there is a risk that the required volume and quality of colleagues cannot be achieved across many areas of the organisation, which may impact on our ability to achieve current service KPIs, issues in delivering new services, increased pressure on our people, and damage to our reputation.

To mitigate this risk, the Talent Acquisition (TA) Team have continued to collaborate with the business to work on a range of actions to address the risk, including developing our Employee Value Proposition to support the attraction of talent to the business, TA partnering with the business to support the sourcing of candidates, development of our external careers microsite and streamlining our internal recruitment processes. We will continue to focus on monitoring, managing, and reducing the potential probability and impact of this risk during 2023-24.

Information security

The volumes and sensitivity of data we hold means the Leadership Team and Board have purposefully continued to closely monitor the organisation's approach to information and cyber security. Ongoing benchmarking against best practice standards and scrutiny by the ARC ensures the risk is managed as threats continue to evolve on a day-by-day basis. Improvements are also being made as part of the Information Security Management System (ISMS) programme which is

aligned to the requirements of ISO27001 – with the business continuing to maintain external certification during 2022-23, and via the rolling cyber security improvement project.

Significant fraud

A new risk was added to the Corporate Risk Register following discussion at the April 2022 ARC meeting recognising and logging the business-wide work delivered each year in relation to Fraud detection and prevention. The NHSBSA have a three-year Loss and Fraud Prevention Strategy which includes the delivery of an annual workplan, producing Fraud Risk Assessments for all services within the NHSBSA and monitoring the risks identified, as well as utilising data and technology to reduce or where possible eradicate risk.

The NHSBSA are participating in the design and delivery of the NHS Counter Fraud Workplan 2023-24 which is a system wide plan to tackle fraud across the health sector and continue their participation in the Cabinet Office National Fraud Initiative (NFI).

Assurance arrangements

The NHSBSA uses an assurance map approach, using the best practice three lines of defence model, to identify the sources of assurance in place over each of the key functions and services we deliver. The three lines of defence represent:

- First line: management control and reporting,
- Second line: functional oversight and governance systems,
- Third line: independent review and regulatory oversight.

This model provides the basis upon which the NHSBSA Leadership Team can determine the focus of assurance effort. The assurance map is fully integrated with the risk management process with areas of concern being reflected in the relevant business area risk register and escalated to the Corporate Risk Register, where required.

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

The Audit and Risk Management Committee has continued a programme of 'Areas of Focus' exercises to assure itself on behalf of the Board regarding the robustness of controls. During 2022-23 exercises were carried out in the following areas impacting the Scheme:

- ESR Transformation Programme,
- Technical/ Systems Debt, and
- Pensions Legal Rulings.

The Committee has gained an increased awareness over the assurances in place for the area reviewed. The assurance provided by these reports constitute the key report highlights from the committee during 2022-23.

Managing Information

During 2022-23 the NHSBSA has maintained its approach to handling information efficiently and securely. Each year, the NHSBSA undertakes a detailed self-assessment using the NHS-wide Data Security and Protection Toolkit (DSPT). The DSPT return is based on the National Data

Guardian's ten data security standards. The return for 2022-23 was submitted before the 30 June 2023 deadline. Frequent compliance updates are provided to the NHSBSA Audit and Risk Management Committee and NHSBSA Board.

There were 347 security incidents raised during 2022-23 relating to the Scheme, this compares with 336 incidents in 2021-22. Upon investigation and risk assessment (based on set DSPT criteria), no security incidents were reported to the Information Commissioners Office (ICO).

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

Data Protection and Freedom of Information

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

During 2022-23 we have dealt with:

- 223 DPA requests relating to the Scheme, 8 less than the previous year. All bar 30 were responded to within the required timeframe,
- 63 FOI requests relating to the Scheme, 16 more than the previous year. All except five were responded to within the required timeframe.

The root causes for these exceptions have been identified and corrective action taken to avoid a recurrence. The reason for the targets not being met were due to a number of reasons:

- Scanning staff not correctly recognising these requests,
- Contact Centre agents receiving email and phone requests have not been promptly forwarding the requests or have not correctly recognised them,
- In the summer of 2022, there were resourcing issues within the corporate IG team due to the unplanned absence of experienced staff and recruitment for several specialist roles.

This was addressed through a combination of:

- Additional training for scanning staff to improve their recognition of these requests,
- Updated guidance and feedback on processing errors for contact centre agents,
- The corporate IG team plan being at full complement by the end of June 2023.

The Information Commissioner's office monitors organisations who consistently fail to respond by the legal deadline for 15% of requests.

Freedom to Speak Up (Whistleblowing)

During 2022-23 the NHSBSA continued to embed and improve a 'Freedom to Speak Up' approach across the organisation. This includes a FTSU Policy, a FTSU Strategy and Improvement Plan, a FTSU Guardian role, training and awareness plans and formalised Executive (Mark Dibble) and Non-executive (Karen Seth) lead roles. FTSU Champions were also introduced during 2021-22, made up of colleagues from a diverse range of backgrounds, locations, and services, and this has continued to encourage colleagues to speak up during 2022-23.

Oversight of the agenda was provided by a FTSU Network, and regular reports were provided to the Board aligned to National Guardian's Office guidance.

During 2022-23 eleven cases were raised and addressed via the FTSU Guardian. Feedback received from colleagues raising issues was positive in relation to the action taken and support received. Volumes and themes of cases will continue to be monitored as further communication campaigns and other initiatives are rolled out during 2023-24.

Handling Complaints

We pride ourselves on the level of service that we provide to our customers and other service users. We aim to resolve all complaints fairly and promptly in accordance with our defined policy. We view complaints as an opportunity to learn about how we can improve our services.

During 2022-23 we have maintained our approach to handling complaints. The total number of formal complaints received during 2022-23 (classified as Internal Dispute Resolution (IDR) stage 1 cases), relating to the Scheme was 1,255, of which 658 were upheld (52.4%). This compares with 1,177 of which 525 were upheld (44.6%) in 2021-22.

The level is reflective of the increase in pensions work generated since 2021-22. Although there was no overall theme, we identified that the most common area for complaint in 2022-23 was in respect of process, which could be that the correct process was not followed, the process itself was incorrect or it resulted in an incorrect decision.

In addition to the ongoing business improvements, we put in place as a result of the increase in complaints in the year 2021-22, our newly formed Business Process and Knowledge Management Team have been tasked with reviewing all our administrative process guides to ensure they are up to date, accurate and complete which will include the following business improvements.

- Work Manager tool to identify root cause,
- More robust feedback tool for feedback to Service Delivery,
- Improved Pensioner Newsletter,
- Stakeholder Engagement events focusing on revised awards,
- Pensions Training Consultant with remit to improve training throughout NHS Retirement Services.

Sources of Assurance

Audit and Risk Management Committee

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

The following is a list of the key reports:

- Risk Management updates - setting out and assessing the major risks and issues that we face along with progress and impact of mitigation actions,
- Annual Risk Management report - outlining how our risk management arrangements have continued to operate during the year and how they have been reviewed and strengthened,
- Assurance Map review – annual review of the assurance mapping arrangements in place across the business,
- Areas of Focus presentations – looking at high-risk areas, or other topics highlighted, for example, through internal audits, assurance maps, etc,
- Internal Audit progress report – regular progress reports on the work undertaken by Internal Audit against the agreed plan,
- External Audit reports – regular progress reports on the work undertaken by External Audit,
- Internal/External Audit recommendations tracker – updates on progress made across the NHSBSA in implementing audit recommendations,
- Loss and Fraud Prevention/Local Security Management annual reports - reports detailing the work undertaken during the year mapped against the agreed work plans,
- Freedom to Speak Up (Whistleblowing) update report – updates on whistleblowing activity across the business each year.

Other Sources of Assurance

Supporting the role of the Board and the Audit and Risk Management Committee, the NHSBSA's governance and control environment also includes the following elements:

- Risk Management Process – see Risk Management section,
- Performance Management Framework - reviewed by the Leadership Team on a monthly basis and by the Board at each meeting. The framework provides a balanced scorecard approach covering the key areas of performance,
- Wellbeing and Inclusion Committee - controls are in place to ensure that all our obligations under equality, diversity and human rights legislation are adhered to. The Wellbeing and Inclusion Committee, which is chaired by the Chief Executive, monitors performance against our Diversity and Inclusion Strategy and achievement of our equality objectives. It also oversees the delivery of our wellbeing and community investment goals,
- Statutory Function Register – a register which details the current Statutory Instruments, Directions and other applicable agreements is maintained to ensure correct arrangements are in place, and the NHSBSA is legally compliant in discharging its duties,
- NHS Pension Scheme – as an employer with staff entitled to membership of the Scheme, control measures are in place to ensure all employer obligations contained within the Scheme are in accordance with the Scheme rules, and that member records are accurately

updated in accordance with the timescales detailed in the Regulations. In addition, access restrictions to staff pension records exist within pension administration systems with limited authorised staff able to view or amend records directly,

- National Joint Safety, Health, and Environment (SHE) Committee – controls are in place to ensure that we comply with relevant health and safety, and environmental law and good practice. The National Joint SHE Committee, which is chaired by the Executive Director of People and Corporate Services, monitors performance against our Health and Safety Strategy and Action Plan, and Environment and Resource Efficiency Strategy and Action Plan.

Enhanced governance, compliance, and assurance specific to the Scheme

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

Pensions Board

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

Pensions Compliance Team

The Pensions Compliance Team conducts reviews covering all major aspects of the pensions administration service. During 2022-23 compliance activity has been limited as the team were partially deployed onto COVID-19 services but the following reviews were completed:

- 1995 Re-Employed Pensioners,
- Cash Equivalent Transfer Values (CETV) for Pensions on Divorce or the Dissolution of a Civil Partnership,
- Pension Credit Benefits after a Divorce or a Dissolution of a Civil Partnership Product Review,
- Protection of Pay and Voluntary Protection of Pay,
- The Implementation and Discharge of a Pensions Sharing Order after a Divorce or a Dissolution of a Civil Partnership.

There were no compliance reviews reported to The Pensions Regulator during 2022-23.

Referral to The Pensions Regulator (TPR)

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

In December 2022 a breach of law report was submitted in respect of failure to provide Annual Benefit Statements (ABS) to 100% of the NHS Pension Scheme membership.

The NHSBSA provides ABS to members (both active and deferred) via NHS Total Reward Statements (TRS). Members who do not have access to an ABS via the on-line portals are directed to request one from NHSBSA. In August 2022 91.38% of NHS Pension Scheme members were provided an ABS, an increase in real terms of 37,446 statements from the previous year.

Whilst the NHSBSA remains committed to its long-standing aspiration of delivering ABS to all NHS Pension Scheme members, there are obstacles in achieving this goal. The NHS Pension Scheme is the largest centrally administered pension scheme in Europe with over 2.3 million active or deferred members and some of the most complicated working patterns and calculations in the pensions industry. The complex nature of the Scheme means that it is unlikely that 100% full automation of ABS calculations will be possible.

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

In July 2022 and December 2022, breach of law reports were submitted to the Pensions Regulator in respect of two individual Pension Sharing Orders which were not implemented within the required timeframe of 4 months. The first breach was in respect of a 7-day delay and the second in respect of a delay of 11 days. Both instances were due to manual administrative error. The Pensions Regulator confirmed no action to be taken in respect of both breaches.

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

Government Internal Audit Agency (GIAA)

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

- NHS Pensions – Duplicate Payments,
- Due Diligence and Change Portfolio Management,
- Governance (Key Controls),
- Data Security Protection Toolkit,
- Core Financials including Asset Management,
- End-to-end Debt Management,
- Estates and Facilities Management and Performance,
- Technical Debt,
- IT Support Cost Modelling,
- Incident Management,
- Clinical Governance.

Financial Management

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

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

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

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

Loss and Fraud Prevention

During 2022-23 the NHSBSA Loss and Fraud Prevention (LFP) Team worked with colleagues across NHS Pensions to continue monitoring the Fraud Risk Assessment (FRA) that was initially produced in 2020-21.

During 2022-23 NHS Pensions continued to participate in the National Fraud Initiative (NFI) Mortality Data Matching Exercise which is used to tackle the risk around deceased NHS Pension members who remain in payment due to their death not being reported to the Scheme. NHSBSA LFP commenced Post Event Assurance (PEA) work to calculate and recover monies paid to deceased members identified through the NFI where there has been no contact from next of kin. The PEA work involves obtaining death certificates and working with the NHS Finance Team who engage with the bank where the payments have been made. The benefit of this work will not be realised until quarter 3 of 2023-24.

During 2023-24 we will review the NHS Pensions FRA following restructure of the service and the teams. We will be monitoring any emerging risks from the implementation of McCloud and the roll out of My NHS Pensions App.

Key contractual arrangements supporting Pensions Administration

The administration of the Scheme is currently delivered by NHSBSA employees and is supported by a number of contracted services. The key contracts are detailed below:

- Pensioner and member payroll and administration application development, support and maintenance delivered by Claybrook Computing Ltd,
- IT Hosting services delivered by Crown Hosting Ltd,
- IT Managed Infrastructure services delivered by Agilisys Ltd,
- IT Network Services delivered by Virgin Media Business Ltd,
- IT Telephony services delivered by Nasstar,
- Medical services delivered by Medigold Health Consultancy Ltd,
- Work manager application development and support and maintenance delivered by Verint Systems UK Ltd.

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

Accounting Officer's review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control, and governance processes.

The Head of Internal Audit's opinion was that, based on the work completed to date, there is moderate assurance given to the Accounting Officer that the NHSBSA has had adequate and effective systems of control, governance, and risk management in place for the reporting year 2022-23.

The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the NHSBSA achieving its principal objectives have been reviewed. My review is informed by:

- The work of the Audit and Risk Management Committee which informs the Board about the outcome of its activities through submission of an Alert, Advise and Assure Report (AAA report), together with its minutes and annual report to the Board,
- The findings of both the NAO and the internal audit reviews. The Audit and Risk Management Committee oversees progress towards the implementation of all such recommendations,
- The work of the Fraud Specialists is to prevent, deter, investigate, and report fraud activity. The Audit and Risk Management Committee receives the annual work plan and annual report of the Fraud Specialists and provides updates to the Board as appropriate.

Significant Governance Issues

There were no significant issues raised during 2022-23.

Conclusion

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

Michael Brodie
Chief Executive
NHS Business Services Authority

5 September 2023

Parliamentary Accountability and Audit Report

Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires the NHS Pension Scheme (incorporating the NHS Compensation for Premature Retirement Scheme) to prepare a Statement of Outturn against Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by estimate line, providing a more detailed breakdown (SoPS 1); a reconciliation of outturn to net cash requirement (SoPS 3); and an analysis of income payable to the Consolidated Fund (SoPS 4).

Statement of Outturn against Parliamentary Supply for the year ended 31 March 2023

Summary of Resource Outturn 2022-23

This section has been subject to audit.

£000	2022-23							Restated 2021-22	
	Note	Outturn			Estimate			Outturn vs Estimate saving / (excess)	Prior Year Outturn Total
		Voted	Non- Voted	Total	Voted	Non- Voted	Total		
Annually managed expenditure	SoPS1								
- Resource		46,699,703	-	44,699,703	47,154,711	-	47,154,711	2,455,008	32,675,677
Total Budget		46,699,703	-	44,699,703	47,154,711	-	47,154,711	2,455,008	32,675,677
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
Total		46,699,703	-	44,699,703	47,154,711	-	47,154,711	2,455,008	32,675,677

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on GOV.UK, for detail on the control limits voted by Parliament.

Net cash requirement 2022-23

2022-23	2022-23		2021-22
Outturn £000	Estimate £000	Outturn vs Estimate saving/(excess) £000	Prior Year Outturn Total £000
(4,325,191)	(3,458,212)	866,979	(4,350,585)

Administration costs 2022-23

2022-23	2022-23		2021-22
Outturn £000	Estimate £000	Outturn vs Estimate saving/(excess) £000	Prior Year Outturn Total £000
-	-	-	-

Notes to the Statement of Outturn against Parliamentary Supply

SoPS1. Analysis of Resource outturn by Estimate line

£000	2022-23									Restated 2021-22
	Resource Outturn						Estimate	Outturn vs Estimate saving / (excess)	Prior Year Outturn Total	Total
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Total	Total	Total
Departmental Expenditure Limit (DEL)										
Voted:	-	-	-	-	-	-	-	-	-	-
Non Voted:	-	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure (AME)										
Voted:										
A: NHS Pension Scheme	-	-	-	63,592,895	(18,893,192)	44,699,703	44,699,703	47,154,711	2,455,008	32,675,677
Non-Voted expenditure:	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	63,592,895	(18,893,192)	44,699,703	44,699,703	47,154,711	2,455,008	32,675,677

Explanation of the variance between Resource Estimate and outturn:

The outturn is less than the Estimate primarily due to:

- The combined Current Service Cost and Pensions Finance Cost being lower than forecast by £2,300 million due mainly to the prior period adjustment to the opening Scheme liability,
- Total contribution income being higher than forecast by £155 million.

SoPS2. Reconciliation of outturn to net operating expenditure

The total resource outturn of £44.70 billion shown above in the SoPS summary table on page 47 is the same as the combined net expenditure shown in the Statement of Comprehensive Net Expenditure (SoCNE) on page 59. Therefore no reconciliation table is required.

SoPS3. Reconciliation of net resource outturn to net cash requirement

				2022-23
Item	Reference	Outturn Total £000	Estimate £000	Outturn vs Estimate savings/ (excess) £000
Resource Outturn	SoPS1	44,699,703	47,154,711	2,455,008
Capital Outturn		-	-	-
Adjustments to remove non-cash items:				
New provisions and adjustments to previous provisions		(63,549,633)	(65,854,012)	(2,304,379)
Adjustments to reflect movements in working balances:				
Increase in receivables		89,631	413,713	324,082
Decrease in payables		63,952	37,267	(26,685)
Increase in prepaid pension benefits		3,841	-	(3,841)
Use of provision		14,367,315	14,790,109	422,794
Net cash requirement		(4,325,191)	(3,458,212)	866,979

As noted in the introduction to the SoPS above, outturn and Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

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

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

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

- Lump Sum payments being lower than forecast by £427 million,
- Total contribution income being higher than forecast by £155 million,
- The movement in debtors and creditors being lower than forecast by £297 million.

SoPS4. Amounts of income payable to the Consolidated Fund

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

Item	Outturn total 2022-23		Outturn total 2021-22	
	Accruals £000	Cash basis £000	Accruals £000	Cash basis £000
Income outside the ambit of the Estimate	-	-	-	-
Excess cash surrenderable to the Consolidated Fund – current year	-	4,325,191	-	4,350,585
Excess cash surrenderable to the Consolidated Fund – prior year	-	-	-	-
Total income payable to the Consolidated Fund	-	4,325,191	-	4,350,585

Losses and Special Payments Disclosures

This section has been subject to audit.

Losses statement

	2022-23	2021-22
Total number of losses	9,086	16,129
Total value of losses £000	1,233	6,701

Losses relate to overpaid pension benefits that were deemed irrecoverable. The increase in 2021-22 primarily relates to the inclusion of the write-off's relating to GMP rectification.

Special payments

	2022-23	2021-22
Total number of special payments	102	57
Total value of special payments £000	798	129

Special payments relate to compensatory payments made to members where a complaint was made against the scheme administrator, and to HMRC where the scheme is required to pay a tax charge relating to a member benefit.

There were no individual losses greater than £300,000 or special payments during 2022-23.

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

Opinion on financial statements

I certify that I have audited the financial statements of the NHS Pension Scheme (incorporating the NHS Compensation for Premature Retirement Scheme) (together “the Scheme”) for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The Scheme’s financial statements comprise: the combined

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers’ Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the combined financial statements is applicable law and UK adopted international accounting standards. In my opinion, the financial statements:

- give a true and fair view of the state of the Scheme’s affairs as at 31 March 2023 and its combined net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law, Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom* and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council’s *Revised Ethical Standard 2019*. I am independent of the Scheme in accordance with the ethical

requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Accountability Report.

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

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's responsibilities, the Accounting Officer is responsible for:

- Maintaining proper accounting records;
- Providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Providing the C&AG with additional information and explanations needed for his audit;
- Providing the C&AG with unrestricted access to persons within the Department from whom the auditor determines it necessary to obtain audit evidence;
- Ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- Ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- Ensuring that the annual report is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- Assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee

that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- Considered the nature of the sector, control environment and operational performance including the design of the Scheme's accounting policies.
- Inquired of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scheme's policies and procedures on:
 - identifying, evaluating, and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scheme's controls relating to the Scheme's compliance with the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2022, Managing Public Money, the regulations set by The Pensions Regulator, NHS Pensions Scheme Regulations 1995, 2008 and 2015, as amended, the NHS (Compensation for Premature Retirement) Regulations 2002, as amended, and the Public Service Pensions Act 2013.
- Inquired of management, the Scheme's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- Discussed with the engagement team and the relevant internal and external specialists, including actuarial specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Scheme for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, bias in management estimates and the selection of inappropriate assumptions or methodology underpinning the pensions liability and related estimates and the payment of benefits to ineligible members. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Scheme's framework of authority and other legal and regulatory frameworks in which the Scheme operates. I focused on those laws and regulations that had a

direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, regulations set by The Pensions Regulator, NHS Pensions Scheme Regulations 1995, 2008 and 2015, as amended, the NHS (Compensation for Premature Retirement) Regulations 2002, as amended, and the Public Service Pensions Act 2013.

I considered the control environment in place at the Scheme, the administrator and the scheme actuary, in respect of membership data, the pension liability, contributions due and benefits payable.

Audit response to identified risk

To respond to identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Management Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I performed substantive testing of contributions received and benefits paid in the year to ensure compliance with laws and regulations and regularity;
- I engaged an auditor's expert to review the actuarial methods and assumptions used by the Scheme actuary, reviewing the expert's report and undertaking any further procedures as necessary; and
- I review significant correspondence with the Pensions Regulator.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal and external specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually

Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

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

11 September 2023

Financial Statements



Combined Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

	Note	2022-23 £000	Restated 2021-22 £000
Income			
Contributions receivable	3	(18,755,774)	(17,437,693)
Transfers in	4	(70,305)	(78,405)
Other income	5	(67,113)	(113,073)
		(18,893,192)	(17,629,171)
Expenditure			
Service cost	6	50,100,000	40,800,000
Enhancements	7	79,327	86,291
Transfers in – additional liability	8	70,306	78,405
Pension financing cost	9	13,300,000	9,300,000
Administration cost	10	43,262	40,152
		63,592,895	50,304,848
Combined net expenditure	SoPS1	44,699,703	32,675,677
Other comprehensive net expenditure			
Pension re-measurements:			
Revaluation loss of estimated discounted future cash flows In respect of early retirement charges	16	127,682	31,411
Actuarial loss (gain) / loss	17.7	(429,482,318)	71,490,524
Total Comprehensive Net Expenditure		(384,654,933)	104,197,612

The Combined Statement of Comprehensive Net Expenditure, and the relevant supporting notes, as at 31 March 2022 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 18 to the financial statements.

The notes on pages 63 to 80 form part of these financial statements.

Combined Statement of Financial Position as at 31 March 2023

	Note	2023 £000	Restated 31 March 2022 £000	Restated 1 April 2021 £000
Current assets:				
Receivables	12	1,310,168	1,220,537	1,170,050
Cash and cash equivalents	13	4,325,191	4,350,585	3,642,299
Prepayments – prepaid pension benefits	15	3,841	-	-
Total current assets		5,639,200	5,571,122	4,812,349
Current liabilities				
Payables (within one year)	14	(4,915,156)	(5,004,502)	(4,228,943)
Net current liabilities, excluding pension liability		724,044	566,620	583,406
Estimated discounted future cashflows in respect of premature retirement recharges	16	233,027	360,709	392,120
Pension liability	17.4	(460,600,000)	(840,900,000)	(732,400,000)
Net liabilities, including pension liabilities		(459,642,929)	(839,972,671)	(731,424,474)
Taxpayers' equity				
General Fund		(459,642,929)	(839,972,671)	(731,424,474)
		(459,642,929)	(839,972,671)	(731,424,474)

The Statement of Financial Position, and the relevant supporting notes, as at 1 April 2021 and 31 March 2022 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 18 to the financial statements.

M Brodie
Accounting Officer
5 September 2023

The notes on pages 63 to 80 form part of these financial statements.

Combined Statement of Changes in Taxpayers' Equity for year ended 31 March 2023

	Note	2022-23 £000	Restated 2021-22 £000
Balance at 1 April		(839,972,671)	(731,424,474)
Revaluation (loss) of estimated discounted future cash flows in respect of early retirement recharges	16	(127,682)	(31,411)
Surplus cash payable to the Consolidated Fund – current year supply	SoPS4	(4,325,191)	(4,350,585)
Comprehensive Net Expenditure for the Year	SoCNE	(44,699,703)	(32,675,677)
Actuarial gain / (loss) – NHS Pension Scheme	17.7	429,482,318	(71,490,524)
Net Change in Taxpayer's Equity		380,329,742	(108,548,197)
Balance at 31 March 2023		(459,642,929)	(839,972,671)

The Combined Statement of Changes in Taxpayers' Equity, and the relevant supporting notes, as at 31 March 2022 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 18 to the financial statements.

The notes on pages 63 to 80 form part of these financial statements.

Combined Statement of Cash Flows for the year ended 31 March 2023

	Note	2022-23 £000	(Restated) 2021-22 £000
Cash flows from operating activities			
Net expenditure for the year	SoCNE	(44,699,703)	(32,675,677)
Adjustments for non-cash transactions:			
Increase in receivables		(89,631)	(50,487)
(Decrease) / increase in payables		(63,952)	67,273
Increase in pension provision	17.4	63,400,000	50,100,000
Increase in pension provision – enhancements and transfers in	17.4	149,633	164,696
Increase in prepaid pension benefits	15	(3,841)	-
Use of provisions – pension benefits	17.5	(14,129,568)	(13,057,579)
Use of provisions – leavers	17.6	(237,747)	(197,641)
Net cash inflow from operating activities		4,325,191	4,350,585
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		-	-
From the Contingencies Fund – current year		1,230,000	1,180,000
Repayment to the Contingencies Fund		(1,230,000)	(1,180,000)
Net Financing		-	-
Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		4,325,191	4,350,585
Payments of amounts due to the Consolidated Fund		(4,350,585)	(3,642,299)
Net (decrease) / increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		(25,394)	708,286
Cash and cash equivalents at the beginning of the year		4,350,585	3,642,299
Cash and cash equivalents at the end of the year		4,325,191	4,350,585

The Combined Statement of Cash Flows, and the relevant supporting notes, as at 31 March 2022 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided at note 18 to the financial statements.

The notes on pages 63 to 80 form part of these financial statements.

Notes to the Financial Statements

1.1 Basis of Preparation of the Scheme Financial Statements

The financial statements of the combined NHS Pension Scheme and NHS Pension for Premature Retirement Scheme have been prepared in accordance with the relevant provisions of the 2022-23 Government Financial Reporting Manual (FReM) issued by HMT. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector. IAS 19 Employee Benefits and IAS 26 Accounting and Reporting by Retirement Benefit Plans are of particular relevance to these statements.

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

1.2 Going Concern

The Statement of Financial Position as at 31 March 2023 shows a combined pension and compensation liability of £460.6 billion (2021-22: £840.9 billion). Other movements in the liability reflect the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme's pension benefits, which come into payment each year.

Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than as required for the service of the specified year or retained in excess of that need.

In common with other public service pension schemes, the future financing of the Scheme's liabilities is to be met by future grants of supply to be approved annually by Parliament. Such approval for amounts required for 2023-24 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 NHS Pension Scheme

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

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

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

1.4 NHS Pension for Premature Retirement Scheme

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

2. Accounting Policies

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme financial statements.

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Critical Accounting Judgements and key sources of estimation uncertainty

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. The key estimates and judgements relate to the valuation of the pension liability set out in Note 17 below.

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

2.3 Contributions receivable

- Employers' normal pension contributions are accounted for on an accruals basis in the month to which the associated salaries and wages relate,
- Employees' normal pension contributions are accounted for on an accruals basis in the month to which the associated salaries and wages relate,
- Employees' contributions paid in respect of the purchase added years are accounted for on an accruals basis, and additional pension contributions are accounted for on a cash basis. The associated increase in the scheme liability is recognised as expenditure,
- Where Scheme members make Additional Voluntary Contributions (AVCs) to secure additional pension benefits through the Scheme's approved suppliers these were directly invested through individual contracts with those suppliers. These additional contributions are not included in the financial statements but are shown separately in Note 11 to the

financial statements. Please refer to Note 11 for further information on Scheme AVC providers,

- Contributions receivable are outside the scope of IFRS 15 – Revenue and Contract with Customers.

2.3.1 Contributions receivable relating to the Compensation for Premature Retirement Scheme

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

2.4 Transfers in and out

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

2.5 Administration levy and costs

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

2.6 Current service costs

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. The cost is based on a real discount rate of (1.30%) (2021-22 : (0.95%)) and 1.55% including inflation (2021-22 : 1.25%). These assumptions are used to calculate the in-year increase in the Scheme liability and differ to the assumptions used to assess the year end Scheme liability.

2.7 Past service costs

Past service costs are increases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Past service costs are recognised in the SoCNE on a straight-line basis over the period in which increases in benefit vests.

2.8 Interest on Scheme liabilities

The interest cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The interest cost is based on a gross discount rate of 1.55% (2021-22 : 1.25%).

2.9 Scheme Liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit method and as at 31 March 2022 was discounted at a real discount rate of (1.30%) (i.e., 1.55% including inflation). The discount rate changed on 31 March 2023 to 1.70% and the Scheme liability was discounted at that rate.

Further details of the financial assumptions used are set out at Note 17.1 to these accounts and in the Statement by the Actuary on pages 22 to 27. For the purposes of IAS26 accounting, full actuarial valuations by a professional qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions. A full member data extract as at 31 March 2022 was provided to GAD to facilitate a full actuarial valuation that has been used in the preparation of the financial statements for 2022-23.

2.10 Pension benefits payable

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

2.11 Actuarial gains / losses

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

2.12 Accounting policies for the NHS Compensation for Premature Retirement Scheme

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

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

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

2.13 Changes in Accounting Standards

In order to comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Scheme must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Scheme has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment and found that

none of the updates have any impact on the accounts as the Scheme has no leases or insurance policies.

The following standard came into effect during 2022-23:

- IFRS 17 Insurance Contracts – effective for annual periods beginning on or after 1 January 2023. It has not yet been decided when FReM will adopt the standard for government financial reporting.

3. Contributions receivable

	2022-23 £000	2021-22 £000
Employers	(12,585,571)	(11,703,455)
Employees:		
Normal	(6,094,297)	(5,650,037)
Purchase of added years	(54,751)	(63,807)
Purchase of additional pensions	(19,176)	(18,595)
Purchase of early retirement redundancy buy out	(1,979)	(1,799)
	(18,755,774)	(17,437,693)

£19.49 billion contributions are expected to be payable to the Scheme in 2023-24. During the year ended 31 March 2023, employee contributions represented an average of 9.98% of pensionable pay.

4. Transfers in (also see note 8)

	Note	2022-23 £000	2021-22 £000
Individual transfers in from other schemes		(68,316)	(76,871)
Group transfers in from other schemes		(1,989)	(1,534)
		(70,305)	(78,405)

5. Other pension income (also see note 7)

	2022-23 £000	2021-22 £000
Prefunded premature retirement contributions	(3,421)	(2,090)
Capitalised rechargeable premature retirement contributions	-	(18,981)
Rechargeable premature retirement contributions	(29,061)	(30,667)
Final pay control	6,149	(23,380)
Interest charged on contribution payments	(22)	(79)
Administration levy	(40,758)	(37,876)
	(67,113)	(113,073)

6. Service cost (also see note 17.4 & 18.2)

	Note	2022-23 £000	Restated 2021-22 £000
Current service cost		50,100,000	40,800,000
		50,100,000	40,800,000

7. Enhancements (also see notes 5 & 17.4)

	Note	2022-23 £000	2021-22 £000
Employees: Purchase of added years		54,751	63,807
Employees: Purchase of additional pension		19,176	18,595
Employees: Early retirement reduction buy out		1,979	1,799
Employers: Pre-funded premature retirement contributions		3,421	2,090
		79,327	86,291

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

	Note	2022-23 £000	2021-22 £000
Individual transfers in from other schemes		68,317	76,871
Group transfers in from other schemes		1,989	1,534
		70,306	78,405

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

9. Pension financing cost (also see notes 17.4 & 18.2)

	Note	2022-23 £000	Restated 2021-22 £000
Net interest on defined benefit liability		13,300,000	9,300,000
		13,300,000	9,300,000

10. Scheme administration cost

	Note	2022-23 £000	2021-22 £000
Scheme administration cost		43,262	40,152
		43,262	40,152

11. Additional Voluntary Contributions

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

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

	2022-23 £000	2021-22 £000
Movements in the year were as follows:		
Balance at 1 April	90,596	93,775
Opening balance adjustment	-	(73)
Re-stated balance at 1 April	90,596	93,702
New investments	299	233
Sale of investments to provide pension benefits	(6,684)	(10,074)
Changes in market value of investments	(2,378)	6,735
Balance at 31 March	81,833	90,596
Contributions received to provide life cover	2	3
Benefits paid on death	488	383

Standard Life Assurance Society

	2022-23 £000	2021-22 £000
Movements in the year were as follows:		
Balance at 1 April	116,927	118,361
New investments	1,842	2,017
Sale of investments to provide pension benefits	(6,851)	(8,524)
Changes in market value of investments	(5,951)	5,073
Balance at 31 March	105,967	116,927
Contributions received to provide life cover	-	-
Benefits paid on death	299	245

Prudential PLC

	2022-23** £000	Restated 2021-22* £000
Movements in the year were as follows:		
Balance at 1 April	73,219	70,534
New investments	5,564	5,816
Sale of investments to provide pension benefits	(5,908)	(6,288)
Changes in market value of investments	(2,012)	3,157
Balance at 31 March	70,863	73,219
Contributions received to provide life cover	-	-
Benefits paid on death	-	-

* Figures for 2021-22 were provided as unaudited and have been restated.

** Figures for 2022-23 are provided as unaudited and will be restated if required in the 2023-24 accounts.

Statement of Financial Position

12. Receivables

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

	2023 £000	2022 £000
Amounts falling due within one year:		
Pension contributions due from employers	750,883	699,679
Employees' normal contributions	497,985	456,251
Employees' purchase of added years	4,362	5,782
Employees' purchase of additional pensions	1,725	1,979
Employees' purchase of early retirement reduction buy out	157	160
Invoiced pre-funded retirement contributions	1,170	6,999
Invoiced re-chargeable premature retirement contributions	10,451	8,468
Invoiced final pay control income	11,501	19,698
Total due from employers	1,278,234	1,199,016
Overpaid pension benefits	31,151	21,521
HMRC - VAT	783	-
Total due within one year	1,310,168	1,220,537
Amounts falling due after more than one year:	-	-
Total receivables	1,310,168	1,220,537

13. Cash and cash equivalents

	2023 £000	2022 £000
Balance at 1 April	4,350,585	3,642,299
Net change in cash balances	(25,394)	708,286
Balance at 31 March	4,325,191	4,350,585
The following balances at 31 March were held at:		
Government Banking Service	4,325,191	4,350,585
Balance at 31 March	4,325,191	4,350,585

14. Payables

	2023 £000	2022 £000
Amounts falling due within one year:		
Pensions	(369,374)	(485,002)
HM Revenue & Customs	(196,301)	(145,890)
Voluntary deductions	(295)	(261)
Scheme administration costs payable to NHSBSA	(16,104)	(13,147)
HMRC - VAT	-	(35)
Amounts due to employers:		
Employee and employer contributions	(7,139)	(7,232)
Final pay control	(750)	(2,350)
Prefunded premature retirements	(2)	-
	(589,965)	(653,917)
Amounts due to be paid to the Consolidated Fund	(4,325,191)	(4,350,585)
Amounts falling due after more than one year	-	-
Total payables	(4,915,156)	(5,004,502)

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

15. Prepaid pension payments

To ensure scheme members receive their benefits on their due date, and where their due date falls on a weekend or bank holiday, the payment is made on the nearest preceding working day. The prepaid benefits relate to pension payments paid at the end of March where the 1st and 2nd of April fell on the weekend, and the prepayment relates to the element of benefits paid that relate to 2022-23, as monthly member benefits are paid in arrears.

	2022-23 £000	2021-22 £000
Prepaid pension benefits	3,841	-
Total prepaid pension benefits	3,841	-

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

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

	2022-23 £000	2021-22 £000
Balance at 1 April	360,709	392,120
Revaluation of estimated discounted future cash flows in respect of rechargeable premature retirements	(127,682)	(31,411)
Balance at 31 March	233,027	360,709

17. Pension Liabilities

17.1 Assumptions underpinning the pension liability

The NHS Pension Scheme is an unfunded defined benefit scheme. The Government Actuary’s Department carried out an assessment of the Scheme liabilities as at 31 March 2023. The Statement by the Actuary starting on page 22 sets out the scope, methodology and results of the work the Actuary has carried out.

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

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

The key assumptions used by the actuary were:

	At 31 March 2023	At 31 March 2022	At 31 March 2021
Financial assumptions			
Nominal discount rate	4.15%	1.55%	1.25%
Rate of pension increases	2.40%	2.90%	2.22%
Rate of general pay increases	3.65%	4.15%	3.72%
Rate of short-term general pay increase			n/a
Real discount rate in excess of			
Pension increases	1.70%	(1.30)%	(0.95)%
Long-term pay increases	0.50%	(2.50)%	(2.38)%
Life expectancies			
- Life expectancy at 60 – current pensioners			
• Men	28.0	28.3	28.7
• Women	29.2	29.4	30.1
- Life expectancy at 60 – current age 40			
• Men	29.7	30.0	30.4
• Women	30.8	30.9	31.8
- Life expectancy at 65 – current pensioners			
• Men	23.1	23.4	23.8
• Women	24.3	24.4	25.2
- Life expectancy at 65 – current age 45			
• Men	24.7	25.0	25.4
• Women	25.8	25.8	26.8

Stated life expectancy assumptions are for members retiring on grounds other than ill-health. Assumed life expectancy of ill-health pensioners is lower.

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

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

In accordance with IAS 19 the Scheme Managers are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

17.2 Analysis of the provision for pension liability

	At 31 March 2022 £bn	Restated At 31 March 2022 £bn	Restated At 31 March 2021 £bn	At 31 March 2020 £bn	At 31 March 2019 £bn
Active members (past service)	235.7	521.1	445.6	386.4	305.8
Deferred pensions	50.7	98.9	90.3	82.2	65.7
Pensions in payment	174.2	220.9	196.5	184.6	161.8
Total	460.6	840.9	732.4	653.2	533.3

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

The value of the liability on the CSofP may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rate of inflation, or increases in salaries, the value of the pension liability will increase or decrease. The Managers of the Scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 17.7. The notes also disclose 'experience' gains or losses for the year, showing the amounts charged or credited for the year because events have not coincided with assumptions made for the last valuation. Please refer to note 18 regarding the restatement of the scheme liability at 1 April 2021 and 31 March 2022.

17.3 Sensitivity Analysis

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

The table below shows the indicative effects on the total liability as at 31 March 2023 of changes to these assumptions (rounded to the nearest 0.5%).

Change in Assumption		Approximate effect on total liability	
Financial Assumptions			
Discount rate*	+ 0.5% a year	-9.0%	−£41.5 billion
Earnings increases*	+ 0.5% a year	+1.0%	+£4.6 billion
Pension increases*	+ 0.5% a year	+9.0%	+£41.5 billion
Demographic Assumptions			
Additional one year increase in life expectancy at retirement		+3.0%	+£13.8 billion

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

17.4 Analysis of movements in the scheme liability

	Note	2022-23 £000	Restated 2021-22 £000
Scheme liability at 1 April		(840,900,000)	(732,400,000)
Current service cost	6	(50,100,000)	(40,800,000)
Pension financing cost	9	(13,300,000)	(9,300,000)
Enhancements	7	(79,327)	(86,291)
Pension transfers in	8	(70,306)	(78,405)
		(63,549,633)	(50,264,696)
Benefits payable	17.5	14,129,568	13,057,579
Pension payments to and on account of leavers	17.6	237,747	197,641
		14,367,315	13,255,220
Actuarial gain / (loss)	17.7	429,482,318	(71,490,524)
Scheme liability at 31 March		(460,600,000)	(840,900,000)

17.5 Analysis of benefits paid

	2022-23 £000	2021-22 £000
Pensions to retired employees and dependants (net of recoveries or overpayments)	11,162,540	10,413,287
Commutations and lump sum benefits on retirement	2,967,028	2,644,292
Total benefits paid	14,129,568	13,057,579

17.6 Analysis of payments to and on account of leavers

	2022-23 £000	2021-22 £000
Death in service	88,142	89,066
Individual transfers to other schemes	58,236	54,363
Group transfers to other schemes	135	121
Refunds to members leaving service	91,234	54,091
Total payments to and on account of leavers	237,747	197,641

17.7 Analysis of actuarial losses

	2022-23 £000	Restated 2021-22 £000
Experience (loss) arising on the Scheme liabilities	(32,517,682)	(1,990,524)
Changes in financial assumptions underlying the present value of Scheme liabilities	446,800,000	(69,500,000)
Changes in demographic assumptions underlying the present value of Scheme liabilities	15,200,000	-
Total actuarial gain / (loss)	429,482,318	(71,490,524)

17.7.1 Experience loss

The following table sets out an analysis of the impact in changes to experience on the scheme liability 31 March.

	2022-23 £000	Restated 2021-22 £000
April 2022 pension increase lower than expected	(23,517,682)	(2,600,000)
Pensionable pay and CARE revaluation increase higher than expected	(21,400,000)	(1,990,524)
Membership and other experience	12,400,000	2,600,000
Total experience loss	(32,517,682)	(1,990,524)

17.7.2 Change in assumptions

The following table sets out an analysis of the impact in changes to experience on the scheme liability 31 March.

	2022-23 £000	Restated 2021-22 £000
Change in projected improvements in mortality	5,400,000	-
Change in baseline morality assumptions	-	-
Change in demographic assumptions (other than mortality)	9,800,000	-
Change in financial assumptions	446,800,000	(69,500,000)
Total actuarial gain / (loss)	462,000,000	(69,500,000)

17.8 History of experience (gains) / losses

	2022-23	Restated 2021-22	2020-21	2019-20	2018-19
Experience gains / (losses) on scheme liabilities: (£000)	32,517,682	(1,990,524)	(547,847)	7,307,275	1,000,000
Percentage of the present value of the scheme liabilities	7.06%	0.24%	0.07%	1.12%	0.19%
Total amount recognised in Combined Statement of Comprehensive Net Expenditure: (£000)	429,482,318	(71,490,524)	(71,247,847)	(93,792,725)	26,509,363
Percentage of the present value of the scheme liabilities	93.24%	8.50%	9.41%	14.36%	4.97%

18. Prior Period Adjustment

GAD's data analysis carried out as part of the 2020 funding valuation identified an inconsistency with the baseline 'mortality after retirement assumption' compared to previous years' analysis. The inconsistency related to death of pensioner data provided by NHSBSA to GAD for the final year of the 2016 funding valuation, which was subsequently provided again to GAD as part of the 2020 funding valuation data.

The 2020 funding valuation was prepared from the combined pensions administration system (Compendia) introduced in 2018, that migrated and integrated member pensioner payroll data with active and deferred member data previously maintained on separate systems.

Prior to the introduction of the single combined system holding all member pensions data, a standalone pensioner payroll system existed, and the data required for the valuation was extracted from this system. There was no direct reconciliation between the two systems, and death of pensioner data between the two systems had to be reconciled manually. Differences between these two systems were the primary cause of the data inconsistencies. As the valuation process is now run from a single system, the risks of similar issues reoccurring are mitigated.

The assumptions recommended for the accounts at 31 March 2023 have been updated for these inconsistencies, which reduces the assumed life expectancies.

The effect of the revised baseline mortality assumption was to reduce the scheme liability and current service cost by around 3% of their original value in 2021-22, and the actuarial loss on the change in financial assumption also reduces by around 3%.

The closing scheme liability and financial position at 31 March 2022 and 1 April 2021 have been restated to bring them into line with the updated assumptions. 2021-22 expenditure has also been restated to reflect the impact of the updated assumptions on service cost, pension financing cost and actuarial loss.

The following tables present the effect of the changes on the financial statements.

18.1 Restated 2021-22 opening position

Effect on Combined Statement of Financial Position	Published 1 April 2021 £000	Adjustment 1 April 2021 £000	Restated 1 April 2021 £000
Pension liability	(757,100,000)	24,700,000	(732,400,000)
Net liabilities, including pension liabilities	(756,124,474)	24,700,000	(731,424,474)
General Fund	(756,124,474)	24,700,000	(731,424,474)
Total taxpayers' equity	(756,124,474)	24,700,000	(731,424,474)

18.2 Restated 2021-22

Effect on Combined Statement of Comprehensive Net Expenditure	Published 2021-22 £000	Adjustment 2021-22 £000	Restated 2021-22 £000
Expenditure			
Service cost	42,300,000	(1,500,000)	40,800,000
Pension financing cost	9,600,000	(300,000)	9,300,000
Total expenditure	52,104,848	(1,800,000)	50,304,848
Combined net expenditure	34,475,677	(1,800,000)	32,675,677
Pension re-measurements Actuarial loss / (gain)	73,990,524	(2,500,000)	71,490,524
Total Comprehensive Net Expenditure	(108,497,612)	(4,300,000)	(104,197,612)

Effect on Combined Statement of Financial Position	Published 31 March 2022 £000	Adjustment 31 March 2022 £000	Restated 31 March 2022 £000
Pension liability	(869,900,000)	29,000,000	(840,900,000)
Net liabilities, including pension liabilities	(868,972,671)	29,000,000	(839,972,671)
General Fund	(868,972,671)	29,000,000	(839,972,671)
Total Taxpayers' Equity	(868,972,671)	29,000,000	(839,972,671)

Effect on Combined Statement of Taxpayers' Equity	Published 31 March 2022 £000	Adjustment 31 March 2022 £000	Restated 2021-22 £000
Balance at 31 March 2022	(756,124,474)	24,700,000	(731,424,474)
Comprehensive Net Expenditure for the year	(34,475,677)	1,800,000	(32,675,677)
Actuarial loss	(73,990,524)	2,500,000	(71,490,524)
Net Change in Taxpayer's Equity	(112,848,197)	4,300,000	(108,548,197)
Balance at 31 March 2022	(868,972,671)	29,000,000	(839,972,671)

Effect on Combined Statement of Cash Flows	Published 31 March 2022 £000	Adjustment 31 March 2022 £000	Restated 31 March 2022 £000
Net expenditure for the year	(34,475,677)	1,800,000	(32,675,677)
Increase in pension provision	51,900,000	(1,800,000)	50,100,000

18.3 Restated 2021-22 baseline mortality assumptions

The following table sets out the change to the baseline mortality assumptions. No other changes have been made to the assumptions adopted for the 2021-22 accounts.

Baseline mortality	Original Standard table		Revised Standard table	
		Adjustment		Adjustment
Males				
Retirements in normal health	S2NMA	83%	S3NMA	91%
Current ill-health pensioners	S2IMA	83%	S3IMA	134%
Future ill-health pensioners	S2IMA	100%	S3IMA	134%
Dependants	S2NMA	100%	S3DMA	82%
Females				
Retirements in normal health	S2NFA	85%	S3NFA	103%
Current ill-health pensioners	S2IFA	85%	S3IFA	134%
Future ill-health pensioners	S2IFA	100%	S3IFA	134%
Dependants	S2DFA	100%	S3DFA	89%

19. Financial Instruments

As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector Scheme of a similar size. There are no material financial instruments in relation to the Scheme.

20. Contingent Liabilities disclosed under IAS 37

The Scheme has no contingent liabilities to disclose.

21. Related-party transactions

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

22. Events after the Reporting Period

Judicial Review – McCloud Remedy Costs

In December 2021 several unions filed for a joint judicial review against the Government on the inclusion of the McCloud remedy costs within the cost control mechanism at the 2016 valuations (refer to Report of the Managers note 2.5). The judicial review was heard in early 2023 and the claims made in the judicial review were dismissed by the High Court, in a judgment handed down on Friday 10 March 2023. Permission to appeal this judgement was granted by the Court of Appeal on 26 May 2023, the outcome of this appeal will become known in due course.

23. Date of authorisation for issue

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

