NHS Pension Scheme Annual Report and Accounts

2025-26

HC 326

NHS Pension Scheme

(Incorporating the NHS Compensation for Premature Retirement Scheme)

Annual Report and Accounts 2025-2026

For the period 1 April 2025 to 31 March 2026

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

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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 Scheme and 2008 Section (an amendment to the 1995 Scheme introduced in 2008); whilst a career average revalued earnings (CARE) arrangement is in place for General Medical Practitioners and General Dental Practitioners for those schemes.

From 1 April 2022, all active members moved to the 2015 Scheme who were not already in the Scheme entering as a new joiner from 1 April 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 Scheme and 2008 Section. Members with periods of service in more than one part of the Scheme are eligible under certain circumstances 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 current and future costs of pensions and other benefits.

The Scheme Accounts represent the combined position for both the 1995 Scheme (including the 2008 Section) and 2015 Scheme.

Scheme provisions are governed by the following sets of Regulations:

- The NHS Pension 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 2026 there were 7,774 participating employers falling into the following categories:

Employer category	As at 31 March 2026	As at 31 March 2025	As at 31 March 2024
NHS Trusts and Local Health Boards (Note 1)	215	218	218
GP Practices	6,195	6,201	6,260
Arm's Length Bodies	12	12	14
Direction Bodies	526	515	516
Integrated Care Boards & Commissioning Support Units	46	46	46
Local Authorities	119	121	122
New Fair Deal contracts	466	456	439
Independent Providers contracts (Note 2)	195	201	208
Total	**7,774**	**7,770**	**7,823**

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 2025-26 was met from the Scheme and was included in the Parliamentary Supply Estimate submitted to His 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 63 to 68. The notional cost for these financial statements in 2025-26 is £187,286 (2024-25 £182,260), 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 36 to 56.

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 HMT. 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 (considering recent demographic experience), and to recommend the contribution rate payable by employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2024 (published on 3 July 2026). The results of this valuation set the employer contribution rate payable from 1 April 2027 at 15.5% of member pensionable pay. The core cost cap cost of the Scheme was calculated to be outside of the 3% cost cap corridor as at 31 March 2024. However, when the wider economic situation was taken into account through the economic cost cap cost of the Scheme, the cost cap corridor was not similarly breached. As a result, there was no impact on the member benefit structure or contribution rates. The DHSC will consult on the changes in Autumn 2026.

3. Key developments in year

3.1 Changes to Scheme contribution rates

Employee contribution rates changed from 1 April 2025 to the rates detailed below:

Pensionable Pay (part time staff based on actual pay)	Contribution rate from 1 April 2025
Up to £13,259	5.2%
£13,260 to £27,797	6.5%
£26,798 to £33,868	8.3%
£33,869 to £50,845	9.8%
£50,846 to £65,190	10.7%
£65,191 and above	12.5%

3.2 Changes to Scheme benefits

There have been no changes to benefit structures during 2025-26.

3.3 Membership statistics (movement in year)

Active members		
	Total active members at 1 April 2025 (note 1)	**1,896,780**
Add:	New entrants	171,196
	Deferred members who re-join in the year	80,322
	Re-employed pensioners	17,343
	Total joiners	**268,861**
Less:	Retirements	(38,296)
	Leavers with deferred pension rights	(144,742)
	Members who opt-out with deferred pension rights	(72,250)
	Deaths	(1,211)
	Total leavers/death in service	**(256,499)**
	Total active members at 31 March 2026	**1,909,142**

Deferred members		
	Total deferred members at 1 April 2025 (note 1)	**828,984**
Add:	Members leaving active membership with deferred pension rights	216,992
	Total new deferred and unclaimed benefits	**216,992**
Less:	Members taking up deferred pension rights	(13,808)
	Members who re-join the Scheme	(80,322)
	Movement to unclaimed refund (note 2)	(38,376)
	Members taking a refund of contributions during year	(46,937)
	Transfers out	(1,144)
	Death of member	(972)
	Total removed from deferred population	**(181,559)**
	Total deferred members at 31 March 2026	**864,417**

Pensioners in payment (including Compensation Scheme)		
	Total pensions in payment at 1 April 2025 (note 1)	**1,220,014**
Add:	Members retiring from active	38,296
	Members retiring from deferred	13,808
	Widows and dependants	7,167
	Total benefits into payment	**59,271**
Less:	Deaths	(25,438)
	Other cessations (note 3)	(47)
	Child dependants leaving full time education	(38)
	Total benefits ceased in the year	**(25,523)**
	Total pensions in payment at 31 March 2026	**1,253,762**

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, and pension awards processed in year where their due date related to the prior financial year.

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.

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. 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 was considered in conjunction with the 2020 funding valuation and the DHSC determined that the rate should be maintained at 0.08% of pensionable pay until the next review that will take place in conjunction with the completion of the 2024 Scheme funding valuation.

During 2025-26 the cost of Scheme administration was £109.0 million (see note 10 to the accounts), and £51.8 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 is not expected to net off in any one year.

4. Performance and position

4.1 Financial position at 31 March 2026

4.1.1 Resource Outturn to Supply Estimate

The 2025-26 net resource outturn was £15.1 billion and was within the voted estimate of £15.6 billion. Details can be found in the Combined Statement of Comprehensive Net Expenditure (page 70) contained within the financial statements. An explanation of the variance is provided in the SoPS1 note on page 58.

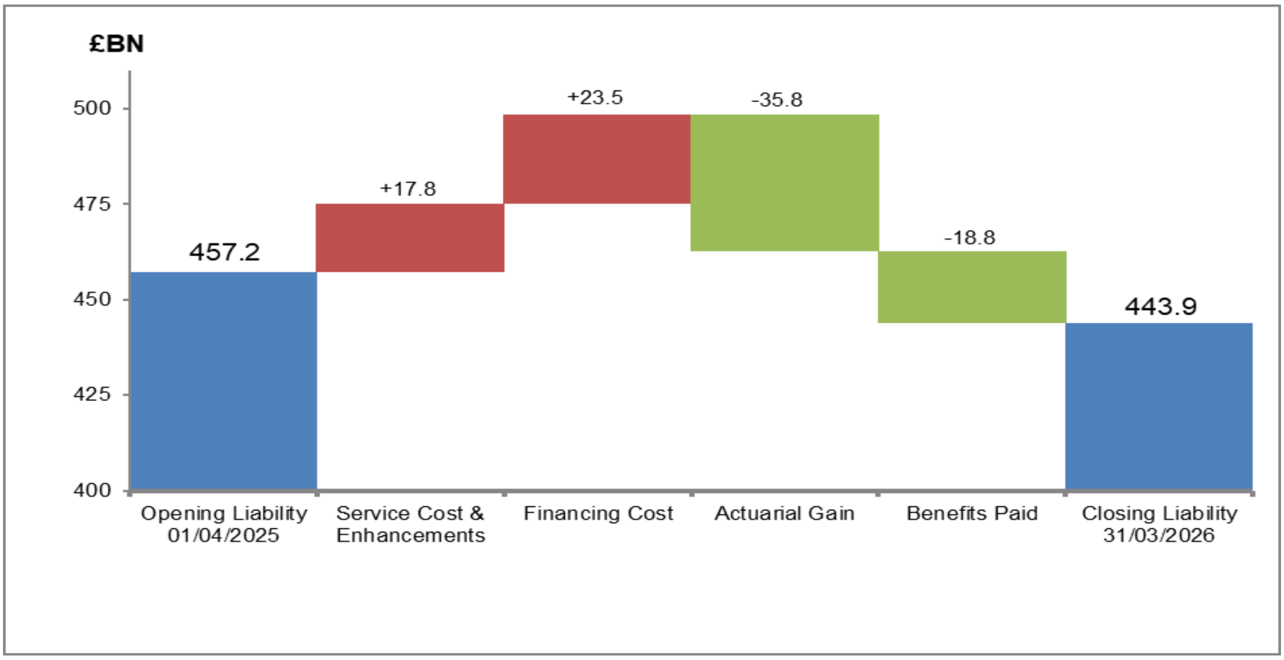
4.1.2 Net cash requirement

In cash terms, the Scheme recorded a Net Cash Requirement (NCR) of minus £7.4 billion against the voted estimate of minus £6.5 billion, this means the Scheme has surplus cash due to income exceeding pension benefit payments, and the £7.4 billion will be returned to HMT during 2026-27.

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 2026 the pension liabilities of the Scheme were valued at £443.9 billion. This is a decrease of £13.3 billion from the liabilities at 31 March 2025 of £457.2 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 2025-26 service cost of £17.6 billion was calculated using the accounts assumptions at 31 March 2025 and are set out in Table D of the Statement by the Actuary.

4.1.5 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 £2.1 billion near to or on the payment deadline date. The Scheme 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 £1.923 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 2025 and repaid to the Contingencies Fund in full during 2025-26 with the final payment being made on 30 June 2025.

The Scheme has requested to draw down £1.434 billion from the Contingencies Fund in 2026-27, as the same scenario exists as described above. The full amount will be repaid in 2026-27.

5. Key activities during 2025-26

5.1 NHS Pensions: Performance Recovery and Service Improvement

NHS Pensions continues to experience sustained growth in membership, with over 8,000 new members joining each month. In the previous reporting period, the scheme experienced a 24% increase in retirements. Volumes have continued to increase, with the service completing over 1.5 million pieces of work in 2025-26 - a significant increase on the 1.3 million completed in 2024-25, which had itself been the busiest year on record.

First Awards: Recovery and Stabilisation

During the summer of 2025, First Awards performance fell below the customer service standards expected of NHSBSA. The increase in volumes outlined above, combined with the McCloud remedy primary requirements, were the main causes for the delays. There was a significant redeployment of specialist resource to support the McCloud taskforce, which saw cases on hand rise from approximately 3,000 in January 2025 to over 15,000 by late July.

Our response was both immediate and structural. Recruitment and training were accelerated, processes were streamlined and greater automation was introduced across the awards workflow. Timely payment to retiring scheme members remains the overriding priority for NHS Pensions, with Awards resource now ringfenced to reflect this priority.

Late cases were cleared in early 2026 with improved turnaround times, which continue into 2026-27. The stabilisation of First Awards performance is a significant milestone, demonstrating sustained improvement and providing a firm foundation for broader transformation.

Oversight and Transparency

A strengthened performance management framework is now in place, including daily monitoring, a weekly Key Performance Indicator (KPI) report shared with DHSC and monthly formal accountability meetings. NHS Pensions now publishes Awards KPI performance publicly on the NHSBSA website monthly, reinforcing transparency to members and stakeholders.

5.2 Customer satisfaction surveys

The Scheme completed Customer Satisfaction Surveys (CSAT) during the year with active and deferred pension members, and Scheme employer organisations.

The monthly CSAT 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 experience of the service that they receive. The key question we ask in the survey is about the overall satisfaction with all aspects of the service provided by NHS Pensions. Those surveyed answered on a scale of 1 to 10, where 1 is ‘not at all satisfied’ and 10 is ‘completely satisfied’. This allows us to calculate the CSAT Score – which shows us the overall satisfaction with the service.

The member surveys are maintained on a rolling monthly basis, and the employer surveys continue on a quarterly rolling basis. We use 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.

The scores this year show:

- A statistically significant decrease compared to the previous financial year for members,
- A statistically consistent score to the previous financial year for pensioners,
- A statistically significantly decreased compared to the previous financial year for pension employers.

It is important to highlight that the methodology for sampling has changed for our pensioners in this financial year. We identified that we were not previously sampling a true reflection of our pensioner population and therefore increased the sampling size to 5% of our pensioners. The sample was stratified based on period bracket (i.e. how long someone has been retired) to reflect the entire population.

NHS Pensions are aware of the current decline in our member satisfaction, and the service continues to be committed to improving customer satisfaction. We are working on a number of improvements and initiatives to help this, some of which include:

- Expansion of the Customer Experience team – allowing more resource to focus on feedback, with a view to improving the CSAT scores,
- Improving communication – we have continued to improve the communication sent to our members. We have significantly increased the 'touch points' of when members should be contacted. In 2025-26, we saw an increase of 195,739 notifications being sent, in comparison of 115,475 being sent in 2024-25 (an increase of 69%),
- Reducing delays – the CSAT scores have been impacted by delays faced within the service, particularly around First Awards. Significant improvements have been made to reduce delays. We increased communication to keep affected customers informed and updated on the progress of their payments,
- Escalation support – we introduced additional support for members where there is an immediate or urgent requirement. In 2025-26, we supported 1,554 members via this process,
- Interactive Voice Response (IVR) transformation – this ongoing project explores ways to improve telephony access, reduce queue times and provide members with information via text. This also includes a member call back service,
- Upskilling our Pensions Customer Hub (PCH) – a number of initiatives have included further coaching and support for PCH colleagues, with a strong emphasis on improving customer experience.

CSAT Scores

The CSAT score is calculated as a percentage. This percentage is made up of all our customers that scored their satisfaction as a 7, 8, 9 or 10 out of 10.

A summary of our latest scores can be found in the table below:

	Active and deferred pension members			Retired pension members			Pension employers		
	2025-26	2024-25	2023-24	2025-26	2024-25	2023-24	2025-26	2024-25	2023-24
Base Size	17,578	19,925	16,982	11,432	1,363	1,975	1,380	1,161	1,256
CSAT Score	48%	53%	48%	83%	84%	77%	67%	71%	69%

Following a decline in Employer satisfaction of 4% from the previous year, comprehensive analysis of the feedback was completed each quarter. Several improvements to the employer experience focussed on the overarching themes identified through analysis, as follows:

Website (Employer hub)

A review of the current website to improve ease of navigation and simplify terminology commenced in the latter part of 2025-26. Longer term options will be considered as part of the Pensions Transformation programme once established.

Administrative burden

A working group was formed with a subgroup of the National Stakeholder Improvement Board forum and senior management across NHS Pensions to explore reducing administrative burden and improving the transfer of information between Employers and NHS Pensions.

A data dashboard was created for each Employing Authority (EA) to aid year end processing, replacing the heatmaps.

An Employer debt recovery/financial escalation process is in place and effectively recovered £2.1 million in scheme contributions and £0.1 million in unpaid employer invoices during 2025-26.

Training support

NHS Pensions offers training for over 7,000 Employers, covering all aspects of their administrative obligations on behalf of members. Focus groups were held during 2025 as part of a comprehensive review of the current training offer. The results concluded that evolvement of our training programme is required, with various methods of delivery that allow flexibility and increased access out of hours. A programme of activity is underway to phase in the improvements.

Engagement

Improvements delivered timely and pertinent information for Employers whilst engaging with governing bodies to seek clarity of changes linked to McCloud affected membership.

The National Stakeholder Improvement Board forum and monthly employer news bulletins proved effective platforms for communication.

An effective escalation process for employers delivered satisfactory resolution where routine operational processes or timescales fell short of expectations.

5.3 Pensions Transformation

As part of the NHSBSA Strategy 2024-2029 there were eight key areas of focus identified. These areas deliver on our purpose, vision and goals, alongside service excellence in our core business. One of these areas of focus was to “Invest in a Transformed Pensions Service”.

To support the development of a longer-term strategy to address the future requirements across the full NHS Pension service, a project was created under the umbrella of Pensions Transformation. The scope for an initial Discovery exercise was agreed and an initial Strategic Outline Case (SOC) created. In support of the delivery of this project, the NHSBSA procured a delivery partner, Pricewaterhouse Coopers (PWC), with extensive knowledge and expertise of both public and private sector pension schemes.

The Discovery phase, delivered between February 2025 and January 2026, comprised of three core components:

1. Current State Assessment (CSA),
2. Delivery Model Assessment (DMA),
3. Development of recommendations to inform the future programme design.

From the Current State Assessment - Six principal themes have been identified:

- Replace Core Technology,
- Develop Digital Toolset,
- Drive Better Data,
- Build Capacity and Restructure,
- Enhance Quality Framework,
- Improve Communications for Members and Employers.

The Delivery Model Assessment (DMA) evaluated several long-listed options to a short list of four models. All options were assessed through a full cost and non-cost evaluation in line with Cabinet Office DMA guidance. This process incorporated valuable input from DHSC alongside the NHSBSA.

While technology will be central to transforming the service, several areas must first be stabilised and strengthened to ensure effective near-term operations and to enable successful future transformation. Discovery recommended establishing a dedicated programme to drive both service improvements and wider transformation, combining targeted improvement activity with a coordinated programme of projects.

Throughout Discovery, we engaged proactively with key stakeholders. To support collaboration, we established a Transformation Steering Group comprising DHSC representatives and the Chair of the Statutory Pensions Board. This shared approach alongside wider ongoing engagement has created a strong, collective commitment to investing in the transformation of the service.

5.4 DWP Dashboard

During 2025-26, the project achieved compliance with the technical requirements for connecting to the dashboard ecosystem. This involved delivering the agreed implementation plan with support from the Integrated Service Provider (ISP) delivery partner. In parallel, data improvement activity continued ensuring compliance with required data standards ahead of connection.

5.5 My NHS Pension – Online member self-service

The My NHS Pension service allows members to carry out self-service tasks such as updating personal details, managing nominations, and viewing payslips and P60s for those in receipt of a pension.

During 2025-26, the focus for the service was to primarily support and maintain the live service, whilst continuing to onboard new members upon request. The total completed registrations are now 702,134 which is a positive increase from the previous year of over 100,000 members.

5.6 NHS Pensions McCloud Programme

In 2015, the government changed most public service pension schemes, including the NHS Pension Scheme. These changes did not apply to members who were close to retirement. The Court of Appeal later found that this was unfair to younger members.

On 1 July 2025, the Minister of State for Health (Secondary Care) Karin Smyth MP issued a statement on the delivery of remediable service statements to NHS Pension Scheme members affected by the discrimination identified by the McCloud judgement. In this statement she announced that McCloud delivery deadlines set out in a statement on 31 March 2025 would not be met. Further to this, it was announced that there would be a review of NHS Pensions capacity, capability and delivery of McCloud remedy functions led by the Independent Chair of the NHS Pensions Board.

A full replanning exercise took place during 2025-26 informed by feedback from the Independent Review Team. An update was provided through a written ministerial statement after the reporting period, on 21 May 2026. The statement included forecast deadlines for McCloud delivery and noted the significant progress made; with the final report and planning outcomes to follow in due course.

During 2025-26, the McCloud Programme has continued to deliver elements of McCloud remediation with progress published on the Member Hub section of the NHS Pensions website. Delivery activities will continue into 2026-27. We will take steps to communicate to members when they can expect to receive their remedy choice, and which deadlines, when issued, will apply to them.

5.6.1 NHS Pensions Reform project

Changes to the rules regarding Pension Contributions for members who receiving reduced pay have been implemented following the outcome of the public consultation that was concluded in 2024-25.

The previously considered changes to Real Time Re-banding and Aggregation are still under deliberation by the DHSC and we await a definitive commission to deliver either of these at some point in the future with dates as yet undetermined. We will continue to engage with DHSC with respect to these potential additional delivery needs for 2026-27.

5.6.2 NHS Pensions McCloud Remedy project

A number of the planned activities that were outlined in last years' accounts update have now been delivered; these include the following major elements of the Remedy project:

- Commencement of offering Retrospective Choice to members deemed to be most likely to elect for alternative scheme benefits,
- Commencement of issuing manually calculated Revised Pension Saving Statements to affected members to assess their revised Annual Allowance status and allow for use of the HMRC Compensation calculator,
- Roll out of active member Remedial Service Statements via the Total Rewards Solutions,
- Complete amendments to Scheme Valuation requirements to capture Scheme changes.

The areas of delivery that require replanning include:

- Bulk Retrospective Choice exercise,
- Commencement of offering Choice on Retirement/Bereavement to members.

5.6.3 NHS Pensions McCloud Engagement project

The Engagement project has continued to support the needs of the wider McCloud programme, delivering all associated internal and external communications and guidance.

Due to the delayed implementation on elements of Remedy Project delivery, there has been limited opportunity to assess the impact of members receiving the main Remedy Products. However, where that has been viable, the Engagement project has completed assessments of how messages have been received by members and made necessary amendments where appropriate.

The information available so far indicates strong evidence of positive decision-making around the McCloud Remedy choice. The Engagement team is also finalising extensive supporting communications to release once the new statutory timelines are published, designed to support members to understand when they are likely to receive their choice, and providing guidance once they receive it.

5.6.4 NHS Pensions McCloud Compensation project

All project-controlled activity within the Compensation Project was successfully delivered during 2025-26 and the project has now closed with activities now continuing via routine service delivery controls. We continue to liaise with HMRC on refining the process of claims being received and look to further enhance control mechanisms to support delivery of the administrative activities required. We will work on a Control Management solution to enhance our current delivery approach, remove elements of manual handling, and improve performance and efficiency in processing payments to members.

Refer to note 11 of the ‘Notes to the Accounts’ for details of the payments made during 2025-26.

5.7 Virgin Media – Legal Challenge

Following the Court of Appeal judgement in Virgin Media Limited v NTL Pension Trustees Limited, the Government has introduced the Pension Schemes Act 2026 that gives affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. No impact to the scheme liability is expected, as any required actuarial confirmations can be obtained retrospectively by the DHSC if needed.

5.8 Events after the reporting period

There are no events to disclose after the reporting period.

6. Key activities arising for 2026-27

6.1 Pensions Transformation

The scope of the future transformation project will be finalised and the design and structure of this will be considered holistically alongside other key priorities. We are committed to the improvements required to take the service forward, to ensure that the service is fit for the future.

NHS Pensions Communications

Over the next year, NHS Pensions will focus on becoming a clearer, more trusted and more visible presence for its members. Central to this will be making pension information genuinely accessible, stripping back complex language and replacing it with plain, straightforward communication that members can easily understand and act on.

Alongside this, NHS Pensions will better articulate the value of the pension scheme, helping members appreciate the significant benefit it represents as part of their overall NHS reward package. Underpinning both of these efforts will be the development of a strong, consistent and recognisable identity, one that builds confidence and trust among members, ensuring that when they engage with NHS Pensions communications, they know exactly who they are hearing from and why it matters to them.

6.2 DWP Dashboard

Consumer testing of the dashboard is underway and is scheduled to run throughout 2026. The public launch date will be confirmed six months prior to launch. It is currently scheduled to launch sometime in the 2027-28 financial year.

6.3 NHS Pensions McCloud programme

The findings of the Independent Review will inform the delivery of all projects within McCloud, and the following deliverables will be subject to the timelines outlined by DHSC.

6.3.1 NHS Pensions McCloud Remedy project

The main deliverables for the Remedy project will be as follows:

- Continuation of offering Retrospective Choice to those members deemed to be most likely to elect for alternative scheme benefits,
- Continuation of issuing manually calculated Revised Pension Saving Statements to affected members to assess their revised Annual Allowance status and allow for use of the HMRC Compensation calculator,
- Commencement of offering Choice on Retirement/Bereavement,
- Commencement of the Bulk Retrospective Choice exercise and delivery of enactment activities related to bulk dispatch.

6.3.2 NHS Pensions McCloud Engagement project

The Engagement project will continue to evolve its support for the wider McCloud programme, ensuring the effective delivery of all associated internal and external communications and guidance.

In particular, the project outputs will support the following:

- Continuation of offering Retrospective Choice to those members deemed to be most likely to elect for alternative scheme benefits,
- Commencement of offering Choice on Retirement/Bereavement,
- Commencement of Bulk Retrospective Choice exercise and delivery of enactment activities related to bulk dispatch.

The project will be responsible both for the output products required for the planned activities including Remedial Service Statement (RSS) templates for nuanced cases along with responsibility for wider Member and Employer communications to support the intended delivery activities.

7. Information for members

7.1 Pension Increase

The Pensions increase rate was 1.7% (2024-25 6.7%) with effect from 7 April 2025 (2024-25 8 April 2024) 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 12 to the Financial Statements).

7.4 Management structure and advisors

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Auditors:
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

Legal advisers:
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

In-house AVC Providers:
Utmost Life and Pensions
Walton Street
Aylesbury
Buckinghamshire HP21 7QW

Standard Life Assurance Company
Standard Life House
30 Lothian House
Edinburgh EH1 2DH

Prudential PLC
250 Euston Road
London NW1 2PQ

7.5 Further information

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

Scheme Administrator
NHS Business Services Authority
PO Box 683, Unit 5
Newcastle Upon Tyne
NE5 9EE

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
1 July 2026

Statement by the Actuary

1. Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the 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 2026, and the movement in the Scheme liability over the year 2025-26, prepared in accordance with the requirements of Chapter 12 of the 2025-26 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 2024 based on the data provided as at 31 March 2024 and rolling forward that liability to 31 March 2026.

2. Membership data

Tables A to C summarise the principal membership data as at 31 March 2024 used to prepare this statement.

Table A – Active members

	Number thousands	Total pensionable pay* (p.a.) £ millions
Males	423	19,395
Females	1,427	47,009
Total	**1,850**	**66,404**

* Pensionable pay is the actual figure.

Table B – Deferred members

	Number thousands	Total deferred pension* (p.a.) £ millions
Males	179	939
Females	568	1,981
Total	**747**	**2,920**

* Pension amounts include the pension increase granted in April 2024.

Table C – Pensions in payment

	Number thousands	Annual pension* (p.a.) £ millions
Males	224	5,090
Females	799	7,282
Spouses & dependants	115	893
Total	**1,138**	**13,264**

* Pension amounts include the pension increase granted in April 2024. Total does not sum due to rounding.

3. Methodology

The present value of the liabilities as at 31 March 2026 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 2026. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2026 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 2025 in the 2024-25 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 a 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 2026 p.a.	31 March 2025 p.a.
Nominal discount rate	5.60%	5.15%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.55%	2.65%
Rate of general pay increases	3.30%	3.40%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	2.95%	2.40%
• Long–term pay increases	2.20%	1.65%
Expected return on assets	n/a	n/a

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2025) 09, dated 4 December 2025, and remain unchanged for 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 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 lower short-term forecasts from the Office for Budget Responsibility (relative to CPI inflation).

The assessment of the liabilities allows for the known pension increases up to and including April 2026.

Additionally, for the accounts as at 31 March 2026, allowance has been made for known inflation experience up to March 2026 to inform, in part, the pension increase that is expected to apply in April 2027. This is consistent with the approach taken for the accounts as at 31 March 2025.

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. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the S4 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	S4NMA	96%
Current ill-health pensioners	S4IMA	116%
Future ill-health pensioners	S4IMA	116%
Dependants	S4DMA	78%
Females		
Retirements in normal health	S4NFA_M	101%
Current ill-health pensioners	S4IFA	122%
Future ill-health pensioners	S4IFA	122%
Dependants	S4DFA_L	94%

These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those adopted for the 31 March 2024 funding valuation of the Scheme. Note that the accounts as at 31 March 2025 were based on the assumptions adopted for the 2020 funding valuation.

Mortality improvements are assumed to be in line with the 2022-based projections for the United Kingdom published by the ONS in January 2025. This is the same approach taken as per the 2024-25 accounts. ONS published 2024-based projections on 28 April 2026. However, these population projections will require detailed review before adoption. As such, these projections will not be used in the 31 March 2026 accounts.

The Scheme's actuarial factors were updated in 2023-24 and remain in force. Consistent to the accounts calculations as at 31 March 2025, these have been allowed for in the calculating of the accounting position as at 31 March 2026.

Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 3 March 2026.

6. Liabilities

Table F summarises the assessed value as at 31 March 2026 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in the sections above. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2025 and 2026 both include an allowance for the higher cost of benefits accrued under McCloud. This approach is consistent with last year.

Table F – Statement of Financial Position

	31 March 2026 £ billion	31 March 2025 £ billion
Total market value of assets	nil	nil
Value of liabilities	443.9	457.2
Deficit	(443.9)	(457.2)
of which recoverable by employers	n/a	n/a

7. Accruing Costs

The cost of benefits accrued in the year ended 31 March 2026 (the current service cost) is assessed as 22.7% 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 5.2% and 12.5% 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 2025-26 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2025-26 accounts.

Table G – Contribution rate

	2025-26 % of pay	2024-25 % of pay
Employer contributions	23.7%	23.7%
Employee contributions (average)	9.8%	9.7%
Total contributions	**33.5%**	**33.4%**
Current service cost (expressed as a % of pay)	**22.7%**	**22.3%**

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. 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 2025-26 was £77.8 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2025-26 (at 22.7% of pay) is assessed to be £17.6 billion.

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 significant past service cost over 2025-26.

I am not aware of any events that have led to a significant settlement or curtailment gain or loss over 2025-26.

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 2026 of changes to the most significant actuarial assumptions.

The most significant financial assumptions are the discount rate, general earnings increases and inflationary 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 2026 of changes to these assumptions (rounded to the nearest 0.5%).

Table H – Sensitivity to significant assumptions

Change in assumption (per annum)		Approximate effect on total liability	
Financial assumptions			
(i) Discount rate*:	+0.5%	-7.0%	-£31.1 billion
(ii) (Long-term) Earnings increase*	+0.5%	+1.0%	+£4.4 billion
(iii) Inflationary (CPI) increases*:	+0.5%	+7.0%	+£31.1 billion
Demographic assumptions			
(iv) Additional 1 year increase in life expectancy at retirement		+3.0%	+£13.3 billion

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability. The discount rate sensitivity implies a Scheme duration of c.18 years as at the underlying data date.

9. Covid-19 and climate change

Covid-19 and climate change are areas where there remains significant uncertainty, which could affect both future economic and demographic experience. In line with previous years, the assumptions used in the preparation of the 2025-26 Resource Accounts allow for the current impacts of Covid-19 and climate change to the extent that they are reflected in the market data used to set or derive assumptions.

The 2022-based population projections consider Covid-19 as a mortality shock event, applying an appropriate short-term adjustment rather than projecting its effects forward. Death rates from Covid-19 in excess of that already allowed for in the mortality assumption and reflected in the membership data would emerge as an experience gain in future years' accounts.

Greg Donaldson FIA C.Act
Actuary
Government Actuary's Department
22 May 2026

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.

As the Accounting Officer, I can confirm that:

- As far as I am aware, there is no relevant audit information of which the auditors are unaware,
- I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the NHSBSA's auditors are aware of that information,
- The Annual Report and Accounts as a whole is fair, balanced and understandable,
- I take personal responsibility for the Annual Report and Accounts and judgements required for determining that it is fair, balanced and understandable.

Annual Governance Statement

Introduction

The Accounting Officer for the 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.

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 2026 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 are 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 these standing committees are described more fully below.

Board membership and responsibilities

Membership of the Board is currently made up of a non-executive Chair, five non-executive directors, Chief Executive and five executive directors, one of which is a Chief Finance Officer.

The key roles and responsibilities of the Board are to:

- Set and oversee the strategic direction of the NHSBSA,
- Appraisal of the financial and operational performance of the NHSBSA, including the delivery of the NHSBSA Strategy and Business Plan,
- Discharge its duties of regulation and control,
- Receive reports and updates from the standing committees,
- Approve and adopt the Annual Report and Accounts.

The Board has met nine times up to the end of March 2026 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 uses 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 a business performance report giving an overview of operational performance. A report is also provided on a quarterly basis to give an update on progress with delivery of the NHSBSA strategic goals. Other supporting reports are provided on an annual cycle, covering key compliance and governance topics. The performance data presented to the Board is produced and quality assured in line with the six dimensions of data quality (accuracy, validity, reliability, completeness, relevance and timeliness).

The NHSBSA's Senior DHSC Sponsor, together with other members of the Sponsorship team attends Board meetings on a regular basis. This provides board members, particularly Non-executive Directors, with the opportunity to gain insight into the perspectives and priorities of key stakeholders. Further details of our sponsorship arrangement can be found in our framework agreement here: https://www.gov.uk/government/publications/dhsc-and-nhsbsa-framework-agreement

Board members must abide by the NHSBSA Conflict of Interest Policy and Code of Conduct for Board Members of Public Bodies and declare their interests to the Chair and Corporate Secretary 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 members' declaration.

Details of the NHSBSA current Board are available at: https://www.nhsbsa.nhs.uk/what-we-do/our-board

NHSBSA Board review of effectiveness

The NHSBSA Board is required to assess its own effectiveness on a regular basis. This assessment is undertaken annually, with an externally facilitated review conducted every three years. During 2025-26, the Government Internal Audit Agency (GIAA) carried out the external review of Board effectiveness.

The review concluded that the requirements of *Corporate governance in central government departments: Code of Good Practice* (Cabinet Office/HM Treasury), relevant to the NHSBSA, are being met.

GIAA adopted a 'Key Lines of Enquiry' methodology to evaluate board effectiveness across six themes: leadership and culture; board composition; board decision-making; board committees; risk management; and partnership working and stakeholder engagement. The review concluded that arrangements across all themes are being suitably and adequately discharged.

Areas of good practice identified through the review included:

- A balanced and effective Board composition,
- Strong strategic oversight and performance monitoring,
- A robust risk management framework,
- Effective Board meetings and decision-making processes,
- A clear committee structure with effective reporting,
- Strong relationships and a collaborative organisational culture.

In the spirit of continuous improvement, GIAA also identified opportunities to further develop board effectiveness, particularly in relation to meeting and board paper efficiency and continued strategic effectiveness as the NHSBSA continues to evolve. The board has agreed actions to address these areas and will continue to monitor effectiveness over the coming year, with regular review of progress against agreed actions.

Audit and Risk Management Committee

The ARC comprised of three non-executive Directors during 2025-26, one of whom served as Committee Chair. The Chair met the requirement for at least one committee member to have recent and relevant financial experience. The committee met on seven occasions during the year ended 31 March 2026.

The Chief Finance Officer and representatives from both Internal Audit and External Audit attend meetings on a regular basis. The Chief Executive, in their capacity as Accounting Officer, also attends meetings, including for the consideration of assurance arrangements supporting the preparation of the Annual Report and Accounts. Other members of staff attend as required, depending on the matters under consideration. A detailed record of members' attendance is set out in the table below.

Audit and Risk Management Committee	Meetings attended
Non-executive directors:	
Kathryn Gillatt (Chair of Committee)	7 of 7
David Leather	7 of 7
Mathew McKie	7 of 7
Executive directors:	
Michael Brodie (Chief Executive)	6 of 7
Mark Dibble (Chief People Officer)	7 of 7
Andy McKinlay (Chief Finance Officer)	7 of 7
Associate non-executive directors:	
Karen Finlayson (from 15 January 2026)	2 of 2
Chris Knight (from 12 September 2025)	3 of 4

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 which concluded that the framework was effective and fit-for-purpose.

The Audit and Risk Management Committee's key responsibilities, aligned to the Financial Reporting Council – Audit Committees and the External Audit: Minimum Standard (where applicable), are:

- Monitoring financial governance and reviewing the draft financial statements,
- Reviewing the effectiveness of internal controls,
- Monitoring the effectiveness of risk management controls,
- Monitoring the effectiveness of fraud, bribery and security management,
- Monitoring the effectiveness of information governance and security arrangements,
- Monitoring the effectiveness of speaking up (whistleblowing) arrangements,
- Seeking assurance regarding the control environment, including via the work of internal and external audit,
- Reviewing the effectiveness of internal audit arrangements.

These standing items are complemented 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 undertakes an annual review of its effectiveness in line with HMT's Audit Committee Handbook, using the supporting assessment tool published by the Government Internal Audit Agency (GIAA). The effectiveness survey was issued to all committee members and regular attendees.

The 2025-26 review results were highly positive and confirmed that the committee continued to operate effectively and in accordance with good practice.

As a result of the review, the committee has identified several areas of focus in 2026-27, including the continued provision of relevant training for members and updating the Committee Forward Agenda to include more frequent reviews of the NHSBSA Assurance Map.

NHSBSA Sponsorship Arrangements

The NHSBSA manages a complex range of business activities on behalf of the DHSC. Accountability arrangements with the DHSC comprise an overall senior departmental sponsor, with individual sponsors providing policy direction for each core service, including the administration of the NHS Pension Scheme. Arrangements are aligned to the DHSC Accounting Officer System Statement requirements.

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 and the NHS Pension Scheme.

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

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 (ARC) regularly review 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

The NHSBSA's approach to risk management aligns with the five principles set out in HMT's Orange Book – Management of Risk: Principles and Concepts. Our framework takes a comprehensive and holistic view, ensuring risks are identified, assessed, managed and monitored effectively across the organisation.

Orange Book principle compliance: As a public sector organisation, we are required to either comply with or explain any departures from the five key principles of the Orange Book, and the assessment confirms compliance with its core principles. Specifically:

- **Governance and Leadership:** Risk management is embedded within our new leadership operating model and governance structure, providing clear decision making at all levels.
- **Integration:** Risk management informs strategic planning, operational decisions, and daily business activities. For example, Risk Appetite Evaluation has been incorporated into the templates of all cover papers to our board and ARC.
- **Collaboration:** Our approach is underpinned by cross-functional collaboration and informed by the available data and expertise.
- **Continuous Improvement:** We actively learn from experience to refine our risk management practices.
- **Risk Management Processes:** During quarter 1 and quarter 2 of 2026-27 we are transitioning, under the governance of our Governance Risk and Assurance (GRA) Enterprise board, from corporate to principal risks as part of our continual evolution and maturing of risk management.

Risk culture: Our risk culture aligns with HMT's Orange Book, our strategy and our values. It promotes early identification of risk, informed decision-making and collective accountability. Through shared learning, training and continuous improvement, we strengthen how risk is understood and managed across the organisation.

Focus areas for maturity and improvement: As part of our commitment to advancing a strong risk culture that enables informed decision-making, we have identified three key areas for further improvement:

- **Emerging risk:** Implementing a more structured approach to identifying, assessing and overseeing emerging risks. Emerging risks will be reviewed through leadership challenge, with ongoing monitoring and reporting to the leadership team and ARC.
- **Risk data:** Continuing to improve the quality and integration of risk data across the NHSBSA to enhance analysis, reporting, and responsiveness.
- **Functional standards:** Further embedding government functional standards into our risk management environment.

Risk Management Framework (RMF) and oversight: RMF is the guiding structure that integrates risk management into all levels of the organisation. It includes policy, strategic, operational, transactional, financial and fiduciary risks, ensuring they are managed in a coordinated and integrated manner with consideration for interdependencies and their impact on the enterprise.

The Risk Management Group completed its annual review of the NHSBSA RMF in April 2025. The updated framework was presented to ARC at the June 2025 meeting to ensure it remained aligned with strategic priorities and operational delivery.

The updated framework was in place throughout the financial year and remains effective up to the date of this Annual Report and Accounts. A comprehensive review is scheduled for May 2026 to ensure continued alignment with our evolving objectives.

Risk appetite

The NHSBSA Board reviews and agrees the organisation’s risk appetite statement annually, setting appetite levels for key areas. The 2025-26 Risk Appetite Statement was reviewed and reaffirmed by the board in July 2025 and October 2025.

The NHSBSA’s aim is to seek to terminate, treat, tolerate or transfer risks as appropriate, to ensure that it meets its objectives.

The updated framework was in place throughout the financial year and remains effective up to the date of this Annual Report and Accounts. A comprehensive review is scheduled during 2026-27 to ensure continued alignment with our evolving objectives.

In June 2026, our board completed the annual review of our risk appetite in alignment with the 2024-2029 NHSBSA Strategy and associated Corporate Business Plans.

Corporate risk summary

Corporate risks are those risks that are so significant that they could materially impact the achievement of our strategic objectives.

The Chief Officers Group (COG) owns and is collectively responsible for the identification and management of corporate risks relevant to us at any given time. Our board and ARC continually assess the nature and extent of the corporate risks that the organisation is exposed to and is willing to take, to achieve its objectives.

During 2026-27, we are transitioning from corporate to principal risks as part of our continual evolution and maturing of risk management.

Our 2025-26 corporate risks, and their position at year-end, are set out in the table below:

Corporate risks	Current position
NHS Pension Scheme service delivery If we fail to address, at pace, the ongoing challenges facing the Pensions Service, the service may become overwhelmed, impacting our ability to deliver change and improvement, adhere to regulation and legislation, whilst maintaining BAU responsibilities. This will detrimentally impact our customers, colleagues and stakeholders, and result in us failing to deliver on key goals and objectives as part of the NHSBSA strategy.	The risk scoring has remained stable, reflecting the ongoing focus on delivery of the McCloud Remedy. The assessed risk will lower as Awards recovery is maintained and the McCloud re-plan is assured. The creation of a single, combined view of recruitment and capacity has matured while work progresses on a holistic view of service efficiencies, demands, prioritisation and a delivery roadmap across BAU and projects. The original risk description has been updated to the proposed Principal Risk narrative, to reflect that current exposure has evolved since it was first articulated.
Information security The actions of a staff member, contractor, supplier or other party could lead to a major breach of information governance and security.	Our in-year Departmental Security Health Check achieved full compliance in three of four standards with 97.5% ‘nearly met’ compliance in the remaining standard. Our GRA Enterprise board approved the approach and actions needed to meet full compliance in 2026-27. We have completed an exercise to incorporate our Information Security risks into our 2026-27 Cyber Security Principal Risk.
Priorities of sponsors/ commissioners Changing priorities of sponsors and commissioners may not align with our strategy, resulting in possible impacts to delivery of the strategic goals, services and planned projects.	We continue to progress work in the following areas while awaiting publication of the NHS Workforce plan in Spring 2026: • Reviewing the corporate strategy to identify and maximise opportunities in line with the 10-Year Health Plan, • Developing plans to support the future delivery of the NHS Workforce Plan, • Assessing and refining approach to engagement with senior sponsors and commissioners.

Future NHS Workforce Solution adoption User organisations may not have the appetite and/or capacity to fully adopt the solution, resulting in a failure to deliver the programme benefits and impacts to colleagues across the NHS.	The work undertaken by the programme's Readiness and Implementation team has resulted in an agreed cohort of early adopters. The team will work with each organisation to define 'scoping documents' which outline the resources, timelines and expected benefits from moving onto the new system. In addition, the programme is providing funding for temporary resources, with a focus on programme and change management, for each user organisation as they prepare for the migration onto the new solution. A series of show-and-tells is planned, showcasing the solution's full capabilities, building on positive feedback and encouraging wider adoption in future waves. Alongside this, a new System Stewards forum - bringing together senior leaders across workforce, finance and technology - will make key strategic decisions on cross-programme alignment and issues.
Significant fraud Significant instances of fraud not prevented or detected may lead to significant loss of public funds and reputational damage to us.	The 2026-27 Annual Fraud Work Report and associated plan is under development in accordance with the Secretary of State directions. A key element included is the Fraud Loss Measurement Exercise.
NHS system changes Changes in the broader health system and NHSE abolishment could impact the delivery of our existing services or require us to provide support for new services at short notice.	NHSE decision-making governance for service transfers is now understood to be in place, with a decision on Primary Care Support Services expected. As a result, due diligence planning has been completed, and the resource needs for known services are now established. We continue to engage with NHSE on the Future Services Programme, focussing on the clarity of scope, pace and delivery approach. Engagement is ongoing to understand how NHSE intends to take the programme forward and to ensure we are sighted on any potential implications.
Prioritisation (resource capacity and capability) The resource capacity and SME capability requirements needed to overcome, at pace, the current challenges within the Pensions Service, alongside other organisational priorities, including DCR and the imminent closure of NHSE, is placing strain upon both BAU activity and the delivery of other service priorities.	Following risk-led, one-to-one discussion with directors on current priorities and capability and capacity constraints, our leadership team held a three-day workshop to assess the organisation-wide impact of competing priorities and resource limitations, agreeing outputs and starting the development and delivery of action plans. We submitted a Workforce Efficiency and Transformation plan to DHSC in March 2026 focussing on identifying opportunities for efficiencies, transfers and automation.

ESR continuity and transition The ability to deliver the Joint Transition Plan (JTP) successfully and to timetable – or any contingency option to the JTP – is based on the effective performance of third-party suppliers. Any failure to deliver may undermine both ESR service continuity and the subsequent transition to the Future NHS Workforce Solution.	The Joint Transition Plan was quality assured by third-party agencies prior to being accepted by the NHSBSA as the baseline ESR transition plan. Performance against the JTP is monitored at weekly senior Infosys, NHSBSA and DHSC progress review meetings. Any issues arising are escalated and sentenced to agreed timescales. In parallel, NHSBSA is taking the necessary actions to ensure a contingency option is available for as long as possible during the transition period. Any associated readiness review gates and decision-making rights have been clearly defined, time-lined and communicated to all parties.

Assurance arrangements

The NHSBSA Assurance Map continues to operate in accordance with the 'Three Lines Model' and has been redesigned to reflect the revised organisational structure and enable greater maturity in assessing both assurance ratings and reliance. Our assurance map and movement towards a monthly update and reporting cycle ensures that risks are managed at the appropriate level:

- The first line 'Own and Operate' - comprises individuals responsible for identifying, assessing, managing, and owning risks and controls within their business areas and support functions.
- The second line 'Guide, Support and Challenge' – functional oversight and governance systems – oversees the implementation of risk management practices and includes the Risk Team, along with risk policy owners and managers.
- The third line 'Independent Assurance' – provides independent review and regulatory oversight. A key source is the internal audit function, which is independent of day-to-day operations and reports to the ARC on the effectiveness of the overall RMF and control environment.

The NHSBSA Leadership Team uses this model to determine where assurance efforts should be focused. 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.

The Audit and Risk Management Committee has continued a programme of 'areas of focus' exercises aligned to key risk areas, to assure itself on behalf of the board.

Managing Information

During 2025-26 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 Cyber Security Centre's Cyber Assessment Framework. The return for 2025-26 was submitted before the 30 June 2025 deadline. Frequent compliance updates are provided to the NHSBSA Audit and Risk Management Committee and NHSBSA Board.

There were 540 security incidents raised during 2025-26 relating to the Scheme, this compares with 411 incidents in 2024-25. 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 consequently 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 UK General Data Protection Regulation (UK 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 ICO registration 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 2025-26 we have dealt with:

- 227 DPA requests relating to the Scheme, 2 more than the previous year. All bar 13 were responded to within the required timeframe, an increase to 94% from 90% (2024-25),
- 137 FOI requests relating to the Scheme, 55 more than the previous year. All except 10 were responded to within the required timeframe, a decrease to 92% from 94% (2024-25).

The root causes for these exceptions have been identified and corrective action taken to avoid a recurrence. Weekly meetings are held to review outstanding requests and the lessons learned.

Freedom to Speak Up (FTSU)

During 2025-26, we continued to embed and strengthen our FTSU arrangements, supporting an open and transparent culture in which colleagues feel safe to raise concerns. A FTSU policy, aligned to NHS England's national policy, remains in place, supported by a dedicated strategy and improvement plan, training and awareness activity, and clearly defined roles.

The FTSU Guardian role is supported by executive (Mark Dibble) and non-executive (Mel Tomlin) sponsors. In addition, a network of FTSU Champions operates across the organisation, comprising colleagues from a diverse range of backgrounds, locations and services, helping to promote awareness and confidence in speaking up.

FTSU arrangements oversight is provided through a dedicated FTSU committee, enabling cross-organisational engagement and triangulation of insight from across the business. Regular reports are provided to the board in line with National Guardian’s Office guidance.

We undertake an annual review of our FTSU policy in accordance with the National Guardian’s Office Policy Review Framework. The policy is also reviewed annually by ARC to provide independent assurance that it remains effective and compliant with national requirements. The most recent review concluded that the policy and associated arrangements were effective and fit for purpose.

During the year, a total of 23 concerns were raised with the FTSU Guardian. Alongside addressing individual concerns in line with the policy, organisational learning was identified, resulting in improvements to security procedures and clarity within People policies.

Handling Complaints

Our aim continues to be to resolve complaints fairly and promptly within our policy. Every staff member has a responsibility to provide a good customer experience and will try to resolve any concerns as quickly, fairly and thoroughly as possible within the early resolution process, without having to escalate to the formal dispute resolution procedure. Where we can’t resolve complaints informally, we’ll follow our formal disputes procedure and keep the customer up to date with the next steps.

During 2025-26 we have dealt with the following complaints relating to the administration of the Scheme:

- 3,405 informal complaints of which 973 were upheld (28.5%) compared to 2,069 (2024-25) of which 1,043 were upheld (50.4%),
- 2,273 formal complaints (classified as Internal Dispute Resolution (IDR) Stage One cases) of which 965 were upheld (42.5%) compared to 1,961 (2024-25) of which 1,331 were upheld (67.9%),
- 363 IDR Stage Two complaints of which 183 were upheld (50.4%) compared to 353 (2024-25) of which 143 were upheld (40.5%),
- 68 Pensions Ombudsman (TPO) Opinions and Determinations of which 16 were upheld or upheld in part (23.5%) compared to 41 (2024-25) of which 11 were upheld or upheld in part (26.8%).

Although the most common area for complaint in 2025-26 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, other themes emerged during the year. Most common was that work was completed late, followed by information being incorrect or incomplete.

Whilst the above demonstrates an increase in the escalations between all the stages of our complaints and disputes process, the number reaching The Pensions Ombudsman remains static and represents only a small proportion of the total. This demonstrates that despite the increase, we are able to resolve the vast majority of complaints and disputes via our internal processes.

The increase in the level of complaints from 2024-25 continues to be reflective of the increase in pensions work and specifically the high volume of retirement applications we received resulting in backlogs, which means it has taken us longer to process other work, whilst we diverted resources to prioritise making payments to members. Whilst we have been able to recover processing times to within our published timescales, we continue to operate in a very challenging environment of legislative change, implementing the Public Service Pensions Remedy (McCloud), tax changes following the abolition of the Lifetime Allowance and its replacement allowances and the Pensions DWP Dashboard.

As part of ongoing business improvements and because of the increase in complaints, we have continued our focus on informal rather than formal complaint handling, using email, phone and text services to speed up resolution. In addition, we continue to:

- Build on the pension expertise of our dedicated pension call handlers in our Pensions Customer Hub, reviewing the content of their Knowledge Base,
- Build on the success of the move of our Complaints and Disputes Team to Citizen Services, to bring Pensions complaint handling in line with best practice from the rest of the NHSBSA by recruiting additional resources to the team,
- Develop the dedicated Pensions Escalation process to our Customer Experience Team to deal with escalated complaint cases requiring immediate intervention, support our most vulnerable customers and review feedback from all sources to identify customer service improvements,
- Work on the comprehensive review of our website to include additional content reviewers and publishers to speed up the process of ensuring the content is accurate, complete, and up to date.

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:

- NHSBSA Annual Report and Accounts and Pension Scheme Annual Report and Accounts,
- 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 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,
- Internal Audit Progress Report on the work undertaken by Internal Audit against the agreed plan,

- External Audit Reports on the work undertaken by External Audit,
- Internal and external audit recommendations trackers monitoring progress made across the NHSBSA implementing audit recommendations,
- Fraud/Bribery/Local Security Management Annual Reports detailing the work undertaken during the year mapped against the agreed work plans,
- Annual review of the Freedom to Speak Up (Whistleblowing) policy,
- Senior Independent Risk Owner (SIRO) Report providing an overview of information security, business continuity, information governance and cyber security,
- Third Party Assurance Reports showing outcomes of the third-party assurance
- engagements undertaken to review the control environment covering prescription, dental, vaccines and student bursary payments, and ESR.

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 (NHSPB) 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 2025-26 the following reviews were completed:

- Customer Verification Cases Review – Unsatisfactory
- Implementation of a Pension Sharing Order Cases Review– Unsatisfactory
- Stakeholder Engagement Team – Moderate
- Pensions Online Product Review – Unsatisfactory
- Sub Awards Cases review – Limited
- Final Pay Controls Products – Moderate
- Final Pay Controls Cases Review – Limited
- First Stage Complaints Products Review – Unsatisfactory
- Customer Verification Process on Outbound Calls - Products Review Pensions Customer Hub (PCH) – Moderate

There were no compliance reviews reported to The Pensions Regulator during 2025-26.

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 July 2025, a breach of law report was submitted in respect of failure to achieve extended deadlines set by the Minister of State for Health for the provision of Remedial Service Statements (RSS) for McCloud affected members of the pension scheme. Revised deadlines are awaited. TPR acknowledged the continuing challenges faced by the NHSPS and public service pension schemes as a whole and will take no further action in respect of the breach.

In September 2025, 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 2025 92.46% of NHS Pension Scheme members were provided an ABS.

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 2.8 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 September 2025, a breach of law report was submitted to the Pensions Regulator in respect of failure to fulfil the requirements of The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. This was due to unprecedented challenges in the administration of the NHS Pension Scheme, primarily affecting the on-time payment of first awards to retiring scheme members, affected our ability to provide estimate of benefits to active and deferred members who had not been provided with an Annual Benefit Statement. TPR acknowledged this report and will take no further action in respect of the breach.

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

Government Internal Audit Agency (GIAA)

In accordance with the Global Internal Audit Standards for the UK Public Sector, the Head of Internal Audit provides an annual opinion on the adequacy and effectiveness of the NHSBSA's arrangements for governance, risk management and internal control. This opinion informs, but does not replace, the Accounting Officer's overall responsibility for the system of internal control.

For the year ended 31 March 2026, the Head of Internal Audit has provided an overall moderate assurance opinion, consistent with 2024-25. A moderate assurance is defined as *‘Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control’* and is the second highest rating available. This reflects internal audit work completed during the year, which was delivered in line with the agreed audit plan, alongside consideration of assurance provided by other internal and external sources.

Internal audit completed all planned risk-based reviews, with the majority providing moderate assurance, some providing substantial assurance (the highest available rating, defined as *‘The framework of governance, risk management and control is adequate and effective’)* and no limited or unsatisfactory opinions (which would indicate significant weaknesses in the control environment). The level and prioritisation of recommendations indicate a generally sound control environment, with opportunities identified for further strengthening.

The opinion has been informed by work structured around the HM Treasury Risk Control Framework and supported by the organisation’s established assurance mapping, including reliance on independent assurance reports where appropriate.

Internal audit work identified the following themes:

- Generally effective governance, risk management and control frameworks, supported by clear structures, processes and assurance arrangements;
- In some isolated areas, opportunities to strengthen the consistency and timeliness of risk identification, documentation and decision-making records;
- The need to continue to address reliance on some legacy systems and manual processes, and to enhance standardisation and automation; and
- The importance of maintaining capability, capacity and training to support delivery, alongside strengthening some aspects of supplier assurance.

Management has accepted the recommendations arising from internal audit work and actions are in place to address these areas.

Overall, the Head of Internal Audit’s opinion supports the Accounting Officer’s assessment that the NHSBSA has a sound system of internal control, with some areas identified for improvement.

Financial Management

The Schemes’ financial management arrangements conform to the requirements of the HMT as laid out in “Managing Public Money”. The Pensions Finance Reporting, Assurance and Reconciliation Team report to the Senior Financial Officers for the Scheme who are key members of the NHSBSA Leadership Team and NHSBSA Board.

This management arrangement covers such reports as the Scheme Main 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 and data provided by GAD and the DHSC prepare the annual 6-year cash flow forecast for the Scheme. The forecast is subject to a robust challenge process from HMT and the OBR and are refined where appropriate.

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

Loss and Fraud Prevention (LFP)

During 2025-26 the risks on the NHS Pensions Fraud Risk Assessment (FRA) were reviewed and the number of risks increased from 53 to 72, as a result of including more workstreams in the FRA. The LFP Team have been working with existing and new risk owners, identifying risks to be mitigated throughout 2026-27.

NHS Pensions continued to participate in the National Fraud Initiative (NFI) Mortality Data Matching Exercise which is used to mitigate the risk around deceased pensioners and dependants who remain in payment due to their death not being reported to the Scheme. NHSBSA Operations Assurance Team (OAT) undertake 2 workstreams as detailed below that mitigate against loss and fraud within the scheme:

- Pensions NFI – NHSBSA OAT proactively obtained death certificates where payments have been suspended because of NFI data matching notifications, enabling overpayments to be processed and recovered. This resulted in the detection of £1.8 million of detected error and the recovery of £0.9 million of overpaid benefits during 2025-26.
- Pensions Address Verification – Addresses for all outstanding pension overpayments have been analysed against data held within the Personal Demographic Service (PDS). Where alternative addresses have been identified, these have been verified by NHSBSA OAT and then shared with Pensions Finance to pursue the overpayment at the verified address. This resulted in the recovery of £0.8 million of overpaid benefits during 2025-26.

A fraud and error prevention methodology has been created for the PEA activity and was approved by the Public Sector Fraud Authorities Prevention Panel. The prevention calculation has been developed to identify how much would have continued to be paid up until the UK average age of death without the NFI and Operations Assurance activities.

Since January 2023 to the end of 2025-26 the total prevented error is £11.6 million, and the total prevented loss and potential fraud is £2.9 million.

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.

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 reviewed the effectiveness of our system of governance, risk management and internal control for the year ended 31 March 2026 and up to the date of approval of the Annual Report and Accounts.

My review has been informed by a structured programme of assurance and evidence, including:

- The work of the board and its committees, in particular the ARC, which provides oversight of the effectiveness of governance arrangements, internal control, and risk management and reports regularly to the board,
- The Head of Internal Audit's annual opinion, which concluded that moderate assurance can be provided that adequate and effective arrangements were in place during the year,
- Reports and findings from external audit and the organisation's progress in implementing agreed recommendations,
- The work of the counter fraud team in preventing, detecting and investigating fraud, bribery and corruption, with reporting and oversight through ARC,
- Management assurance processes, including performance reporting, risk registers, compliance frameworks, and the operation of policies and controls across the organisation.

An independent review of NHSBSA's capacity and capability to deliver the McCloud Remedy was commissioned by the Minister of State, Karin Smyth, to provide assurance over the robustness of programme delivery and to support continued confidence in the organisation's ability to deliver this complex and high-profile work. The review, undertaken by the Independent Assurance Team (IAT), considered key aspects of delivery including governance, resourcing and programme controls.

NHSBSA fully supported the review, working closely with the IAT and engaging openly throughout, with the shared aim of identifying opportunities for continuous improvement within the programme. The organisation will consider the review's recommendations as part of the ongoing programme to further strengthen delivery and support the successful implementation of the McCloud Remedy.

No significant governance or control weaknesses or issues were identified during the year that required disclosure in this Governance Statement, with the exception of the Pensions-related matters set out above.

Conclusion

Based on the review undertaken, and the assurance received from the sources outlined above, I am satisfied that the NHSBSA has maintained an effective system of governance, risk management and internal control that supports the achievement of its objectives and the safeguarding of public funds during 2025-26.

The assurance framework provides me with confidence that key risks have been identified, assessed and managed appropriately, and that arrangements are in place to support continuous improvement in governance and control. Where opportunities for enhancement have been identified, actions are in place and progress is monitored through the board and its committees.

Michael Brodie
Chief Executive
NHS Business Services Authority
1 July 2026

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 2026

Summary of Resource Outturn 2025-26

This section has been subject to audit.

£000								2025-26	2024-25
				Outturn			Estimate	Outturn vs Estimate saving/ (excess)	Prior Year Outturn Total
	Reference	Voted	Non-Voted	Total	Voted	Non-Voted	Total		
Annually Managed Expenditure	SoPS1								
- Resource		15,128,983	-	15,128,983	15,552,670	-	15,552,670	423,687	13,818,570
Total Budget		**15,128,983**	-	**15,128,983**	**15,552,670**	-	**15,552,670**	**423,687**	**13,818,570**
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
Total		**15,128,983**	-	**15,128,983**	**15,552,670**	-	**15,552,670**	**423,687**	**13,818,570**

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 2025-26

2025-26		2025-26	2024-25
Outturn £000	Estimate £000	Outturn vs Estimate saving/(excess) £000	Prior Year Outturn Total £000
(7,375,472)	**(6,502,916)**	**872,556**	**(6,308,491)**

Administration costs 2025-26

2025-26		2025-26	2024-25
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									2025-26	2024-25
	Resource Outturn							Estimate	Outturn vs Estimate saving/ (excess)	Prior Year Outturn Total
	Administration			Programme			Total	Total	Total	Total
	Gross	Income	Net	Gross	Income	Net				
Departmental Expenditure Limit (DEL)										
Voted:	-	-	-	-	-	-	**-**	**-**	**-**	-
Non-Voted:	-	-	-	-	-	-	**-**	**-**	**-**	-
Annually Managed Expenditure (AME)										
Voted:										
A: NHS Pension Scheme										
	-	-	-	41,381,834	(26,252,851)	15,128,983	**15,128,983**	**15,552,670**	**423,687**	13,818,570
Non-Voted Expenditure:										
	-	-	-	-	-	-	**-**	**-**	**-**	-
Total	**-**	**-**	**-**	**41,381,834**	**(26,252,851)**	**15,128,983**	**15,128,983**	**15,552,670**	**423,687**	**13,818,570**

Explanation of the variance between Resource Estimate and outturn:

The outturn is less than the Estimate primarily due to:

- Total contribution income being higher than forecast by £130 million,
- Current Service Cost being lower than forecast by £136 million, and Pensions Financing Cost being lower than forecast by £172 million.

SoPS2. Reconciliation of outturn to Net Operating Expenditure:

The total resource outturn of £15.13 billion shown above in the SoPS summary table on page 58 is the same as the combined net expenditure shown in the Statement of Comprehensive Net Expenditure (SoCNE) on page 70. Therefore no reconcilation table is required.

SoPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

				2025-26
Item	**Reference**	**Outturn Total**	**Estimate**	**Outturn vs Estimate savings/ (excess)**
		£000	**£000**	**£000**
Resource Outturn	SoPS1	**15,128,983**	**15,552,670**	**423,687**
Capital Outturn		-	-	-
Adjustments to remove non-cash items				
New provisions and adjustments to previous provisions		(41,246,485)	(41,568,561)	(322,076)
Adjustments to reflect movements in working balances				
Increase in receivables		97,970	742,554	644,584
(Increase) in payables		(111,187)	(153,807)	(42,620)
Use of provision		18,755,247	18,924,228	168,981
Net cash requirement		**(7,375,472)**	**(6,502,916)**	**872,556**

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 £114 million,
- Total contribution income being higher than forecast by £130 million,
- The movement in debtors and creditors being lower than forecast by £602 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 2025-26		Outturn total 2024-25	
	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	-	*7,375,472*	-	*6,308,491*
Excess cash surrenderable to the Consolidated Fund – prior year	-	-	-	-
Total income payable to the Consolidated Fund	**-**	***7,375,472***	**-**	***6,308,491***

Losses and Special Payments Disclosures

This section has been subject to audit.

Losses statement

	2025-26	2024-25
Total number of losses	10,135	9,361
Total value of losses £000	3,459	3,428

Losses relate to overpaid pension benefits that were deemed irrecoverable.

Special payments

	2025-26	2024-25
Total number of special payments	268	259
Total value of special payments £000	549	429

There were no further individual losses or special payments greater than £300,000 during 2025-26.

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 2026 under the Government Resources and Accounts Act 2000.

The Scheme's financial statements comprise: the combined

- Statement of Financial Position as at 31 March 2026;
- 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 2026 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 2026 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 (2024).* 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 2024*. 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 NHSBSA 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;
- Preparing financial statements, which give a true and fair view in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- Preparing the annual report in accordance with HM Treasury directions issued 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, 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 2024, Public Service Pensions Act 2013, 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 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;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluating 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 reviewed any significant correspondence with the Pensions Regulator.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal 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 sufficient appropriate audit evidence 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 **3 July 2026**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London, SW1W 9SP

Financial Statements

Combined Statement of Comprehensive Net Expenditure for the year ended 31 March 2026

	Note	2025-26 £000	2024-25 £000
Income			
Contributions receivable	3	(26,098,263)	(24,442,328)
Transfers in	4	(65,050)	(69,142)
Other pension income	5	(89,538)	(85,457)
		(26,252,851)	**(24,596,927)**
Expenditure			
Service cost	6	17,600,000	16,300,000
Enhancements	7	81,435	81,490
Transfers in – additional liability	8	65,050	69,142
Pension financing cost	9	23,500,000	21,900,000
Scheme administration cost	10	109,045	64,865
McCloud compensation and cost claim back	11	26,304	-
		41,381,834	**38,415,497**
Combined net expenditure	SoPS1	**15,128,983**	**13,818,570**
Other comprehensive net expenditure			
Pension re-measurements			
Revaluation loss of estimated discounted future cash flows in respect of early retirement charges	16	25,590	11,348
Actuarial (gain) / loss	17.7	(35,791,238)	6,007,558
Total comprehensive net expenditure		**(20,636,665)**	**19,837,476**

The notes on pages 74 to 91 form part of these financial statements.

Combined Statement of Financial Position as at 31 March 2026

	Note	2025-26 £000	2024-25 £000
Current assets			
Receivables (within 12 months)	13	1,640,616	1,542.646
Cash and cash equivalents	14	7,375,472	6,308,491
Total current assets		**9,016,088**	**7,851,137**
Current liabilities			
Payables (within 12 months)	15	**(8,274,852)**	**(7,096,684)**
Net current liabilities, excluding pension liability		**741,236**	**754,453**
Estimated discounted future cashflows in respect of premature retirement recharges	16	188,162	213,752
Pension liability	17.4	(443,900,000)	(457,200,000)
Net liabilities, including pension liabilities		**(442,970,602)**	**(456,231,795)**
Taxpayers' equity			
General Fund		(442,970,602)	(456,231,795)
		(442,970,602)	**(456,231,795)**

Michael Brodie
Accounting Officer
1 July 2026

The notes on pages 74 to 91 form part of these financial statements.

Combined Statement of Changes in Taxpayers’ Equity for year ended 31 March 2026

	Note	2025-26 £000	2024-25 £000
Balance at 1 April		**(456,231,795)**	**(430,085,828)**
Revaluation (loss) of estimated discounted future cash flows in respect of early retirement recharges	16	(25,590)	(11,348)
Surplus cash payable to the Consolidated Fund – current year supply	SoPS4	(7,375,472)	(6,308,491)
Comprehensive net expenditure for the year	SoCNE	**(15,128,983)**	**(13,818,570)**
Actuarial gain / (loss)	17.7	35,791,238	(6,007,558)
Net change in taxpayers’ equity		**13,261,193**	**(26,145,967)**
Balance at 31 March		**(442,970,602)**	**(456,231,795)**

The notes on pages 74 to 91 form part of these financial statements.

Combined Statement of Cash Flows for the year ended 31 March 2026

	Note	2025-26 £000	2024-25 £000
Cash flows from operating activities			
Net expenditure for the year	SoCNE	(15,128,983)	(13,818,570)
Adjustments for non-cash transactions			
Increase in receivables		(97,970)	(92,804)
Increase in payables		111,187	25,063
Increase in pension provision	17.4	41,100,000	38,200,000
Increase in pension provision – enhancements and transfers in	17.4	146,485	150,632
Decrease in prepaid pension benefits		-	2,360
Use of provisions – pension benefits	17.5	(18,451,596)	(17,835,503)
Use of provisions – leavers	17.6	(303,651)	(322,687)
Net cash inflow from operating activities		**7,375,472**	**6,308,491**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		-	-
From the Contingencies Fund – current year		1,923,000	1,950,000
Repayment to the Contingencies Fund		(1,923,000)	(1,950,000)
Net financing		**-**	**-**
Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**7,375,472**	**6,308,491**
Payments of amounts due to the Consolidated Fund		(6,308,491)	(4,306,524)
Net increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		**1,066,981**	**2,001,967**
Cash and cash equivalents at the beginning of the year		**6,308,491**	**4,306,524**
Cash and cash equivalents at the end of the year		**7,375,472**	**6,308,491**

The notes on pages 74 to 91 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 2025-26 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 2026 shows a combined pension and compensation liability of £443.9 billion (2024-25: £457.2 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 2026-27 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 Statement by 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 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.

2.2 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 of 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 12 to the financial statements. Please refer to note 12 for further information on Scheme AVC providers,
- Where Scheme members make contributions to buy back service in respect of the impact of McCloud Remedy, these contributions are accounted for on an accruals basis during the financial year at the point of their agreement,
- Contributions receivable are outside the scope of IFRS 15 – Revenue and Contract with Customers, as contributions are not considered revenue from customers under the scope of this standard.

2.2.1 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.

2.3 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.

2.4 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. Due to the nature of the funding arrangement, the cost of administration and the income received is not expected to net off in any one year.

2.5 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 2.95% (2024-25: 2.40%) and 5.60% including inflation (2024-25: 5.15%). 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.

2.6 Past service cost

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

2.7 Interest on Scheme liabilities

The interest cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The interest cost is based on a gross discount rate of 5.60% (2024-25: 5.15%).

2.8 Scheme Liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit method and as at 31 March 2025 was discounted at a real discount rate of 2.40% (i.e. 5.15% including inflation). The discount rate changed on 31 March 2026 to 2.95% 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 28 to 34. 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 2024 was provided to GAD to facilitate a full actuarial valuation that has been used in the preparation of the financial statements for 2025-26.

2.9 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.

2.9.1 McCloud compensation and cost claim back

Payments made to members relating to McCloud Compensation and Cost Claim Back are accounted for on a cash basis, and do not impact the Scheme liability and the funding arrangements of the Scheme. McCloud Compensation payments relate to payments made to members where they have become entitled to a refund of pensions tax paid to HMRC for the financial year's 2015-16 to 2018-19 (being out of scope of the Tax Administration Framework) due to the impact of McCloud Remedy. Cost Claim Back payments relate to members submitting a claim for professional fees incurred because of the impact of McCloud Remedy on their pension tax position.

2.10 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.

2.11 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.

2.12 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. The Scheme's financial statements are prepared in accordance with the FReM, which ensures consistency across relevant public sector bodies, and therefore IFRS 18 will be adopted in line with HM Treasury guidance.

IFRS 18 Presentation and Disclosure in Financial Statements - The Standard is effective for accounting periods beginning on or after 1 January 2027. The Standard has been UK-endorsed and not yet adopted by the FReM. Early adoption is not permitted.

IFRS 19 Subsidiaries without Public Accountability: Disclosures - The Standard is effective for accounting periods beginning on or after 1 January 2027. The Standard has been UK-endorsed and not yet adopted by the FReM. Early adoption is not permitted.

Application of IFRS 18 and 19 is not expected to have any impact on future financial statements.

3. Contributions receivable

	2025-26 £000	2024-25 £000
Employers	(18,426,855)	(17,290,049)
Employees:		
Normal	(7,586,603)	(7,075,970)
Purchase of added years	(43,105)	(48,139)
Purchase of additional pensions	(29,940)	(24,493)
Purchase of early retirement reduction buy out	(4,234)	(3,677)
McCloud Remedy – service buy back	(7,526)	-
	(26,098,263)	**(24,442,328)**

£26.7 billion in contributions are expected to be payable to the Scheme in 2026-27.

4. Transfers in (also see note 8)

	2025-26 £000	2024-25 £000
Individual transfers in from other Schemes	(62,003)	(65,790)
Group transfers in from other Schemes	(3,047)	(3,352)
	(65,050)	**(69,142)**

5. Other pension income (also see note 7)

	2025-26 £000	2024-25 £000
Prefunded premature retirement contributions	(4,156)	(5,181)
Rechargeable premature retirement contributions	(28,647)	(30,043)
Final pay control	(4,748)	(1,424)
Interest charged on late payment of contributions	(153)	(173)
Administration levy	(51,834)	(48,636)
	(89,538)	**(85,457)**

6. Service cost (also see note 17.4)

	2025-26 £000	2024-25 £000
Current service cost	17,600,000	16,300,000
	17,600,000	**16,300,000**

7. Enhancements (also see notes 5 & 17.4)

	2025-26 £000	2024-25 £000
Employees: Purchase of added years	43,105	48,139
Employees: Purchase of additional pension	29,940	24,493
Employees: Early retirement reduction buy out	4,234	3,677
Employers: Prefunded premature retirement contributions	4,156	5,181
	81,435	**81,490**

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

	2025-26 £000	2024-25 £000
Individual transfers in from other Schemes	62,003	65,790
Group transfers in from other Schemes	3,047	3,352
	65,050	**69,142**

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 note 17.4)

	2025-26 £000	2024-25 £000
Net interest on defined benefit liability	23,500,000	21,900,000
	23,500,000	**21,900,000**

10. Scheme administration cost

	2025-26 £000	2024-25 £000
Scheme administration cost	109,045	64,865
	109,045	**64,865**

11. McCloud compensation and cost claim back

	2025-26 £000	2024-25 £000
McCloud compensation	18,052	-
McCloud cost claim back	8,252	-
	26,304	**-**

12. 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)

	2025-26 £000	2024-25 £000
Movements in the year were as follows:		
Balance at 1 April	74,959	81,102
New investments	364	292
Sale of investments to provide pension benefits	(9,292)	(8,380)
Changes in market value of investments	10,237	1,945
Balance at 31 March	**76,268**	**74,959**
Contributions received to provide life cover	1	-
Benefits paid on death	252	118

Standard Life Assurance Society

	2025-26 £000	2024-25 £000
Movements in the year were as follows:		
Balance at 1 April	103,219	108,004
New investments	4,440	2,720
Sale of investments to provide pension benefits	(11,315)	(10,952)
Changes in market value of investments	8,915	3,447
Balance at 31 March	**105,259**	**103,219**
Contributions received to provide life cover	-	-
Benefits paid on death	200	233

Prudential PLC

	2025-26**	Restated 2024-25*
	£000	£000
Movements in the year were as follows:		
Balance at 1 April	79,673	75,575
New investments	13,649	10,151
Sale of investments to provide pension benefits	(9,095)	(9,447)
Changes in market value of investments	10,055	3,394
Balance at 31 March	**94,282**	**79,673**
Contributions received to provide life cover	-	-
Benefits paid on death	-	-

* Figures for 2024-25 were provided as unaudited and have been restated.

** Figures for 2025-26 are provided as unaudited and will be restated if required in the 2026-27 accounts.

Statement of Financial Position

13. 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.

	2025-26	2024-25
	£000	£000
Amounts falling due within one year		
Pension contributions due from employers	948,640	896,881
Employees' normal contributions	627,685	588,558
Employees' purchase of added years	3,413	4,108
Employees' purchase of additional pensions	2,859	2,844
Employees' purchase of early retirement reduction buy out	303	264
Invoiced prefunded retirement contributions	291	513
Invoiced rechargeable premature retirement contributions	7,530	7,623
Invoiced final pay control contributions	4,979	3,483
Invoiced late payment of contributions charges	234	-
Total due from employers	**1,595,934**	**1,504,274**
Overpaid pension benefits	40,695	37,255
McCloud remedy - service buy back	1,107	-
HMRC VAT	2,880	1,117
Total amounts falling due within one year	**1,640,616**	**1,542,646**
Total amounts falling due after more than one year	-	-
Total receivables	**1,640,616**	**1,542,646**

14. Cash and cash equivalents

	2025-26	2024-25
	£000	£000
Balance at 1 April	6,308,491	4,306,524
Net change in cash balances	1,066,981	2,001,967
Balance at 31 March	**7,375,472**	**6,308,491**
The following balances at 31 March were held at:		
Government Banking Service	7,375,472	6,308,491
Balance at 31 March	**7,375,472**	**6,308,491**

15. Payables

	2025-26 £000	2024-25 £000
Amounts falling due within one year		
Pensions	(626,186)	(565,646)
HM Revenue & Customs	(229,345)	(193,538)
Voluntary deductions	(17)	(131)
Scheme administration costs payable to NHSBSA	(33,336)	(21,729)
Amounts due to employers		
Employee and employer contributions	(10,381)	(6,941)
Final pay control	(105)	(200)
Prefunded premature retirements	(10)	(1)
Rechargeable premature retirements	-	(7)
	(899,380)	**(788,193)**
Amounts due to be paid to the Consolidated Fund	(7,375,472)	(6,308,491)
Amounts falling due after more than one year	-	-
Total payables	**(8,274,852)**	**(7,096,684)**

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

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.

	2025-26 £000	2024-25 £000
Balance at 1 April	213,752	225,100
Revaluation of estimated discounted future cash flows in respect of rechargeable premature retirements	(25,590)	(11,348)
Balance at 31 March	**188,162**	**213,752**

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 2026. The Statement by the Actuary starting on page 28 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 2026	At 31 March 2025	At 31 March 2024
Financial assumptions			
Nominal discount rate	5.60%	5.15%	5.10%
Rate of pension increases	2.55%	2.65%	2.55%
Rate of general pay increases	3.30%	3.40%	3.55%
Rate of short-term general pay increase			
Real discount rate in excess of			
Pension increases	2.95%	2.40%	2.45%
Long-term pay increases	2.20%	1.65%	1.45%
Life expectancies			
- Life expectancy at 60 – current pensioners			
• Men	27.6	27.9	28.0
• Women	29.4	29.6	29.3
- Life expectancy at 60 – current age 40			
• Men	29.1	29.4	29.7
• Women	30.9	30.9	30.9
- Life expectancy at 65 – current pensioners			
• Men	22.8	23.1	23.2
• Women	24.6	24.6	24.3
- Life expectancy at 65 – current age 45			
• Men	24.2	24.5	24.8
• Women	25.9	26.0	25.8

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 2026 £bn	At 31 March 2025 £bn	At 31 March 2024 £bn	At 31 March 2023 £bn	At 31 March 2022 £bn
Active members (past service)	198.3	194.1	182.0	235.7	521.1
Deferred pensions	42.0	45.3	45.6	50.7	98.9
Pensions in payment	203.6	217.8	203.4	174.2	220.9
Total	**443.9**	**457.2**	**431.0**	**460.6**	**840.9**

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.

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 2026 of changes to these assumptions (rounded to the nearest 0.5%).

Change in Assumption (per annum)		Approximate effect on total liability	
Financial Assumptions			
(i) Discount rate*	+ 0.5%	-7.0%	-£31.1 billion
(ii) (Long-term) earnings increase*	+ 0.5%	+1.0%	+£4.4 billion
(iii) Inflationary (CPI) increases*	+ 0.5%	+7.0%	+£31.1 billion
Demographic Assumptions			
(iv) Additional 1 year increase in life expectancy at retirement		+3.0%	+£13.3 billion

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability. The discount rate sensitivity implies a Scheme duration of c.18 years as at the underlying data date.

17.4 Analysis of movements in the Scheme liability

	Note	2025-26 £000	2024-25 £000
Scheme liability at 1 April		**(457,200,000)**	**(431,000,000)**
Current service cost	6	(17,600,000)	(16,300,000)
Pension financing cost	9	(23,500,000)	(21,900,000)
Enhancements	7	(81,435)	(81,490)
Pension transfers in	8	(65,050)	(69,142)
		(41,246,485)	**(38,350,632)**
Benefits payable	17.5	18,451,596	17,835,503
Pension payments to and on account of leavers	17.6	303,651	322,687
		18,755,247	**18,158,190**
Actuarial gain / (loss)	17.7	35,791,238	(6,007,558)
Scheme liability at 31 March		**(443,900,000)**	**(457,200,000)**

17.5 Analysis of benefits paid

	2025-26 £000	2024-25 £000
Pensions to retired employees and dependants (net of recoveries or overpayments)	14,730,481	13,785,173
Commutations and lump sum benefits on retirement	3,721,115	4,050,330
Total benefits paid	**18,451,596**	**17,835,503**

17.6 Analysis of payments to and on account of leavers

	2025-26 £000	2024-25 £000
Death in service	89,014	96,026
Individual transfers to other Schemes	73,220	92,003
Group transfers to other Schemes	646	244
Refunds to members leaving service	140,771	134,414
Total payments to and on account of leavers	**303,651**	**322,687**

17.7 Analysis of actuarial gains / (losses)

	2025-26 £000	2024-25 £000
Experience (loss) arising on the Scheme liabilities	(9,508,762)	(1,607,558)
Changes in financial assumptions underlying the present value of Scheme liabilities	43,400,000	(3,900,000)
Change in mortality assumptions	2,200,000	-
Change in demographic assumptions (other than mortality)	(300,000)	-
Changes in demographic assumptions underlying the present value of Scheme liabilities	-	(500,000)
Total actuarial gain / (loss)	**35,791,238**	**(6,007,558)**

17.8 History of experience gains / (losses)

	2025-26	2024-25	2023-24	2022-23	2021-22
Experience gains / (losses) on Scheme liabilities: (£000)	(9,508,762)	(1,607,558)	20,363,753	32,517,682	(1,990,524)
Percentage of the present value of the Scheme liabilities	-2.1%	-0.3%	4.7%	7.1%	-0.2%
Total amount recognised in Combined Statement of Comprehensive Net Expenditure: (£000)	35,791,238	(6,007,558)	51,636,247	429,482,318	(71,490,524)
Percentage of the present value of the Scheme liabilities	8.1%	-1.3%	12.0%	93.2%	-8.5%

18. 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.

19. Contingent Liabilities disclosed under IAS 37

The Scheme has no contingent liabilities to disclose.

20. 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.

21. Events after the Reporting Period

There are no events to disclose after the reporting period.

22. 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.

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