Cabinet Office

Royal Mail Statutory Pension Scheme

Annual Report and Accounts 2022–23

HC 433

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Royal Mail Statutory Pension Scheme

Annual Report and Accounts 2022–23

(For the year ended 31 March 2023)

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1. Introduction

This report provides key information on the Royal Mail Statutory Pension Scheme ("RMSPS") ("the Scheme") including ongoing developments and other information for members.

2. The Scheme, its objectives and strategy

With effect from 1 April 2012 and under the provisions of the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012, which received Royal Assent on 13 June 2011, the Government assumed responsibility for both the Royal Mail Pension Plan ("RMPP") deficit and the majority of the RMPP's liabilities. Following this transfer of responsibility, the RMSPS was established to provide retirement and death benefits to former members of the RMPP and their dependants, in respect of their service up to 31 March 2012.

The RMSPS is a statutory scheme as defined under Section 26(1) of the Finance Act 1970 and is a registered scheme under the Finance Act 2004.

There are no investment arrangements within the RMSPS to meet the liabilities of the Scheme. Future benefits will be paid out of the consolidated fund, to the extent that Parliament votes on the necessary funds as requested by the Cabinet Office.

3. Main features of the Scheme

The RMSPS is an unfunded, defined benefit scheme. The Scheme is closed to new members and the accrual of new benefits; consequently there are no employer or employee contributions.

There are two primary benefit structures within the RMSPS which are set out in Schedule 1 of the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012:

- Section A members (those who joined the Scheme before 1 December 1971) and section B members (those who joined between 1 December 1971 and 31 March 1987) are entitled to a pension and an automatic lump sum on retirement (with the option to exchange their pension for an additional lump sum or vice versa, subject to His Majesty's Revenue and Customs (HMRC) limits); and
- Section C members (those who joined after 31 March 1987) are entitled to a pension on retirement, with the option to exchange their pension for a lump sum up to HMRC limits.

The Scheme has three main categories of membership:

- pensioners (those members who are receiving a pension);
- deferred members (those members who left pensionable service in the RMPP prior to 31 March 2012 but are not yet receiving their pension); and
- active deferred members (joint members) (those members who were in RMPP pensionable service as at 31 March 2012 and continued in RMPP pensionable service).

The Scheme has some dual members, i.e. members with two benefits entitlements. This arose when the rules on normal retirement age (NRA) changed from 60 to 65, known as NRA60 and NRA65.

4. Changes in benefits

Active deferred members differ from deferred members in that their deferred pension entitlements held in the RMSPS receive revaluation based on the Retail Price Index (RPI) while they are still employed by the Royal Mail or Post Office. Eligible active deferred benefits were increased by 4.9% on 11 April 2022, reflecting the change in RPI for the year ended September 2021. Once active deferred members leave RMPP service and become deferred members, revaluation for section A and B members is based on the Consumer Prices Index (CPI). Section C members continue to receive revaluation based on the RPI.

For section A and B members, in accordance with scheme regulations, eligible pensions in payment and deferred benefits were increased on 11 April 2022, reflecting the 3.1% increase in the CPI for the year ended September 2021. No discretionary increases were awarded.

For section C members, in accordance with scheme regulations, eligible pensions in payment and deferred benefits were increased by 4.9% on 11 April 2022, reflecting the change in the RPI for the year ended September 2021, which is limited to a maximum increase of 5.0%. No discretionary increases were awarded.

5. Management of the Scheme

Under the Postal Services Act 2011, the Minister for the Civil Service (currently the Prime Minister) is the Scheme Manager. In practice, this responsibility is delegated to the Minister for the Cabinet Office, and the Permanent Secretary for the Cabinet Office is the Accounting Officer of the Scheme.

The Cabinet Office is ultimately responsible for ensuring that the Scheme operates effectively. The day-to-day administration is carried out by Capita Pension Solutions Ltd (formerly Capita Employee Benefits Ltd), under a contract managed by the Cabinet Office.

The Cabinet Office retains direct management of:

- maintenance of scheme rules;
- complaints made under the second stage of the internal dispute resolution procedures and responses to referrals from the Pensions Ombudsman;
- ensuring appropriate audit programmes and risk management frameworks are in place;
- certain discretionary decisions on behalf of the Minister for the Civil Service; and
- scheme finances, including the production of the annual accounts.

6. Cabinet Office and the administrator

The Cabinet Office oversees the delivery of scheme administration through a formal contract.

Under the contract, the administrator is responsible for day-to-day administration, including:

- providing administration for deferred, active deferred and pensioner scheme members, including paying pensions and death benefits;
- maintaining accurate and secure records and a proper audit trail of all transactions;
- investigating and responding to complaints made by scheme members, including any made under the first stage of the internal dispute resolution procedures;
- pursuing and reclaiming any overpayments of benefits;
- calculating and paying annual pension increases;
- deducting and paying over tax to HMRC;
- issuing annual current value statements;
- operating a payroll bank account; and
- producing financial and management reports.

7. Financial review

The total pension liability at 31 March 2023 is £29.9 billion (31 March 2022: £45.5 billion restated). This relates to benefits accrued before 2012 for qualifying members, and their beneficiaries, of the RMPP as at 31 March 2023. The liability as at 31 March 2022 along with the pension financing cost for 2022 have been restated to include following a prior period adjustment. Additional detail is provided in note 8 to the financial statements.

The net expenditure for the year was £0.7 billion (2021–22: £0.5 billion restated) and consists solely of the pension financing cost. The expenditure has increased by £0.2 billion as the interest cost is higher this year following an increase in the nominal discount rate, which increases the interest cost in 2022–23.

Total benefits of £1.5 billion (2021–22: £1.4 billion) were payable in the year in respect of pensions, commutations, lump sums and death benefits. Total transfers out of £0.4 million (2021–22: £3.2 million) were payable in the year.

During the year, a net actuarial gain of £14.8 billion (2021–22: £2.9 billion actuarial loss restated) was incurred and has been included within Other Comprehensive Net Expenditure. The actuarial gain has been driven by a decrease in the assumed rate of pension increases from 2.9% to 2.4% and an increase in the nominal discount rate from 1.55% to 4.15%.

The notional cost of the audit is £56,700 (31 March 2022: £50,500). This fee reflects only those costs that are directly associated with the audit of these financial statements and is incorporated in the Cabinet Office Financial Statements.

The total number of scheme members decreased from 361,868 at 31 March 2022 to 355,015 at 31 March 2023.

The financial statements and accompanying notes set out the Scheme's expenditure for the year ended 31 March 2023, and its financial position and cash flows.

8. Reconciliation of net cash requirement to estimate

There was a £66 million variance between the estimated cash requirement of £1,573 million and the outturn of £1,507 million. This is primarily due to the estimate incorporating cover for the risk of a small fluctuation in the incidence of retirements from month to month.

Trend analysis

The table below represents a five-year summary of the movements in the Scheme's outturn analysed by budget type.

Type of spend (£bn)	2022–23 Outturn	2021–22 Outturn restated	2020–21 Outturn	2019–20 Outturn	2018–19 Outturn
Net expenditure	0.7	0.5	0.9	1.6	1.2
Net cash	1.5	1.5	1.4	1.4	1.4

Net expenditure had been decreasing over the prior three years due to the reduction in the nominal discount rate but this trend is now reversing. Net cash has remained consistent over the past five years.

The pension finance cost for the past five years is shown below.

	2022–23 £bn	2021–22 Restated £bn	2020–21 £bn	2019–20 £bn	2018–19 £bn
Pension finance cost	0.7	0.5	0.9	1.3	1.2

The pension finance cost remained relatively static until 2019–20, when it decreased in line with the discount rate which fell from 2.90% in 2019–20 to 1.25% in 2021–22. The nominal discount rate has now increased to 1.55% as at 31 March 2022.

The main estimate cash requirement for 2022–23 is broadly in line with outturn for 2021–22 and shown in the table below.

	2022–23 Main estimate £bn	2021–22 Outturn restated £bn
Net resource requirement	0.9	0.5
Net cash	1.5	1.5

Notes 7 and 8 above contain restated figures for 2021-22 due to a prior period adjustment. Details for the reason for restatement can be found in Note 8 within the notes to the Scheme's financial statements.

9. Guaranteed Minimum Pension (GMP) equalisation and indexation

2016 saw the introduction of the new State Pension which simplified the pension system. However, it removed the mechanism whereby pension schemes and the Department for Work and Pensions (DWP) shared the cost of indexing pension payment for members in employment between 1978 and 1997 with a GMP entitlement who reached State Pension age after April 2016.

The Government implemented an 'interim solution' that required public service pension schemes to fully index GMPs for members reaching State Pension age after April 2016, and conducted a consultation on how it will ensure it continues to meet these past commitments to public service employees.

The consultation response was published on 23 March 2021, and the Government has decided to make full GMP indexation the permanent solution for scheme members with a GMP reaching State Pension age beyond 5 April 2021, in addition to those members who reached State Pension age after April 2016. A past service cost was included in the 2019–20 accounts to reflect the additional liabilities accrued for affected members, and represented the full expected cost of GMP indexation, therefore no further allowance or adjustment is required in the 2022–23 accounts.

A project to correct GMP indexation applied incorrectly to certain members' records transferred from the previous administrator was completed during the year. Separately to this project, further GMP work projects being undertaken include (a) reconciliation and rectification of members' GMP records held by the Scheme with that held by HMRC and (b) equalisation of Section C members' GMP records. These projects are expected to be completed by autumn 2024.

10. Membership statistics

Deferred pensioners (including active deferred – single status only)	**31 March 2023**	**31 March 2022**
At 1 April	**146,405**	156,195
Adjustment*	(737)	(1,545)
Full retirements	(5,267)	(5,361)
Deaths	(243)	(279)
Transfers	(226)	(10)
Partial retirements (i.e. from single to dual status)	(2,886)	(2,595)
At 31 March	**137,046**	**146,405**

Dual status pensioners (deferred members with part benefits in payment)	**31 March 2023**	**31 March 2022**
At 1 April	**16,988**	16,537
Adjustment*	(85)	(165)
Full retirements	(2,277)	(1,900)
Deaths	(75)	(80)
Partial retirements (i.e. from single to dual status)	2,886	2,596
At 31 March	**17,437**	**16,988**

Pensioners	**31 March 2023**	**31 March 2022**
At 1 April	**198,475**	198,827
Adjustment*	821	(1,292)
Full retirements	7,544	7,039
Trivial commutations	(665)	(567)
New dependants	2,794	2,736
Pensioner payment ceased	(593)	(1,033)
Deaths	(7,844)	(7,235)
At 31 March	**200,532**	**198,475**
Total	**355,015**	**361,868**

* Adjustments are needed to the membership movement to reflect processing lead times and late notifications to the administrator.

11. Additional voluntary contributions (AVCs)

There are no AVCs allowed within the RMSPS. AVC funds are retained in the RMPP, but active deferred members are allowed to spread their AVC benefit entitlement across both schemes.

12. Scheme records

The administration of the Scheme was transferred from the Royal Mail Pension Service Centre (PSC) to Capita in 2018. An interface solution was implemented to allow the flow of member data between Capita and PSC to facilitate case processing of retirements and other benefits for active deferred members.

A data sharing agreement is in place with Royal Mail Pension Trustees Ltd that provides a basis for the sharing of data and maintains a good service for active deferred members.

13. Scheme developments

The last notification of our intention to go paperless to our pensioner members has been issued and the last notification to deferred members will be issued by the end of the year. Once all notifications are issued a decision will be made on when this should be actioned. This aligns with our digital strategy to reduce carbon footprint and 'build back greener'. The option of receiving a hard copy will still be available for those who wish to opt out of electronic communication.

Monthly liaison meetings were held with the RMPP Trustee Executive to share knowledge and align scheme communications across the two schemes.

There were no changes to the Scheme rules during the year. Royal Mail is planning to introduce a new collective defined contribution scheme to replace the RMPP. This is not expected to have a significant impact on the RMSPS.

14. Reporting of personal data-related incidents and data security

Any breaches of General Data Protection Regulations (GDPR) are monitored by the Cabinet Office and there have been no instances of loss of protected personal data reported to the Information Commissioner's Officer in 2022–23. There was a reported incident of a cyber-attack. Further details can be found on page 20 section 8.

In line with the GDPR and the Data Protection Act 2018, the Scheme has ensured that:

- contracts with suppliers are amended to make certain that data is processed, by data processors, in accordance with the legislation;
- robust reporting mechanisms are in place; and
- a scheme data management policy and privacy notices are in place.

Capita's information technology infrastructure is monitored through a joint security working group which meets monthly to discuss any security issues.

15. Actuarial position

The Scheme's liabilities as at 31 March 2023 were calculated by the Government Actuary's Department (GAD, the appointed actuary to the Scheme) in accordance with 'International Accounting Standard 19 Employee Benefits (IAS 19)', 'International Accounting Standard 26 Accounting and Reporting by Retirement Benefit Plans (IAS 26)' and the requirements of Chapter 12 of the 2022–23 version of the 'Government Financial Reporting Manual'. This assessment was completed using full scheme data as at 31 March 2022, updated on an approximate basis by GAD to reflect changes that have occurred up to 31 March 2023.

16. Events after the reporting period

There have been no material events between the Statement of Financial Position date and the date the financial statements were authorised for issue.

The Accounting Officer of the Scheme has authorised these accounts to be issued on the date that the Comptroller and Auditor General (C&AG) certifies the accounts.

17. Auditor

These financial statements have been audited by the C&AG, whose opinion is expressed in the certificate and report of the C&AG to the House of Commons.

18. Managers, advisers and employers

Managers	
Accounting Officer of the Scheme:	Alex Chisholm, 70 Whitehall, London SW1A 2AS
Scheme Management team:	Pensions Directorate (led by Simon Claydon), Cabinet Office, 70 Whitehall, London SW1A 2AS
Scheme administrator	Capita Pension Solutions Ltd, Hartshead House, 2 Cutlers Gate, Sheffield S4 7TL
Advisers	
Scheme actuary:	Government Actuary's Department, 6th Floor, 10 South Colonnade, Canary Wharf, London E14 4PU
Principal bankers:	Royal Bank of Scotland, 36 St Andrew Square, Edinburgh EH2 2YB
Legal advisers:	Government Legal Department, 102 Petty France, London SW1H 9GL
Auditors	
External auditors:	Comptroller and Auditor General, National Audit Office, 157–197 Buckingham Palace Road, London SW1W 9SP
Internal auditors:	Government Internal Audit Agency, 10 Victoria Street, London SW1H 0NB

Employers

The following employers participated in the Scheme:

- Royal Mail Group; and
- Post Office Ltd.

19. Disclosure of audit information

As Accounting Officer, as far as I am aware there is no relevant audit information of which the Scheme's auditor is 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 Scheme's auditor is aware of that information.

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

Alex Chisholm
Principal Accounting Officer and Permanent Secretary

14 December 2023

Report of the Actuary

Royal Mail Statutory Pension Scheme

Accounts for the year ended 31 March 2023

Introduction

1. This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Cabinet Office (CO). It provides a summary of GAD's assessment of the Scheme liability in respect of the Royal Mail Statutory Pension Scheme (RMSPS) as at 31 March 2023, and the movement in the Scheme liability over the year 2022–23. The Scheme's liabilities as at 31 March 2023 were caluclated by the Government Actuary's Department (GAD, the appointed actuary to the Scheme) in accordance with 'International Accounting Standard 19 Employee Benefits (IAS 19)', 'Internaional Accounting Standard 26 Accounting and Reporting by Retirement Benefit Plans (IAS 26)' and the requirements of Chapter 12 of the 2022–23 version of the Financial Reporting Manual.

2. The RMSPS 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.

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

Membership data

4. Table A summarises the principal membership data as at 31 March 2022 used to prepare this statement.

Table A – membership summary

Category	Number of members (single + dual)	Total pension as at 31 March 2022 (£ million)*
Active deferred	66,727	311
Deferred pensioner	93,344	321
Pensioner	215,582	1,249

* Including pension increases awarded in April 2022. Does not include NPA65 pension that is not yet in payment for dual status members.

Methodology

5. The present value of the liabilities as at 31 March 2023 has been determined using the Projected Unit Credit Method (PUCM), with allowance for demographic and financial assumptions applying as at 31 March 2023.

6. This statement takes into account the benefits normally provided under the Scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include 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.

Financial assumptions

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

Table B – Principal financial assumptions

Assumption	31 March 2023 p.a.	31 March 2022 p.a.
Nominal discount rate	4.15%	1.55%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.40%	2.90%
Real discount rate in excess of:		
- CPI inflation	1.70%	(1.30%)
Rate of RPI (Retail Price Index) inflation until February 2030	3.40%	3.90%
Rate of RPI inflation from February 2030	2.50%	3.00%
Expected return on assets	n/a	n/a

8. The assessment of the liabilities allows for the known pension increases up to and including April 2023, for members of all Sections of the Scheme.

9. Our calculations have been prepared on that the basis that Section C members' pensions in payment are generally (ignoring GMP etc.) increased annually in line with changes in the retail prices, to a maximum of a 5% increase in that year. For that reason we understand that Section C pensioners received a 5% increase in April 2023.

10. Whilst in active service we understand that Section C members receive annual revaluations generally in line with changes in the retail prices index, subject to a cap of 5% pa. However, in this case, we understand the cap is applied in aggregate over the whole period being considered. This cap will therefore only 'bite' if inflation is consistently over 5% in each year of the period. We have therefore prepared our calculations on the basis that Section C members who remain in active service would therefore ultimately be expected to receive a revaluation of 12.6% in April 2023.

11. If the Scheme were to apply different increases / revaluations in April 2023, then the liabilities disclosed would differ from those shown in this report.

Demographic assumptions

12. Table C 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 'S2 tables' with the percentage adjustments to those tables derived from Scheme experience.

Table C – Post-retirement mortality assumptions

Baseline mortality	Standard table*	Adjustment
Males		
Normal and ill-health retirements	S2PMA	121%
Dependants	S2PMA	115%
Females		
Normal and ill-health retirements	S2PFA	118%
Dependants	S2DFA	111%

*No adjustment is made for pensioners who have already retired on ill-health grounds. Future ill health retirees are assumed to be subject to the above mortality on the basis that the members were born three years earlier than their actual date of birth.

13. These assumptions are the same as those adopted for the 31 March 2018 actuarial valuation of the Scheme and the accounts as at 31 March 2022. The other demographic assumptions, such as for commutation and family statistics, are unchanged from the 2021-22 accounts, except where otherwise stated in the report referred to below.

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

Liabilities

15. Table D summarises the assessed value as at 31 March 2023 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 12. The corresponding figures for the previous year are shown for comparison.

16. **Table D – Statement of financial position**

	31 March 2023 £ m	31 March 2022 £ m
Total market value of assets	nil	nil
Value of liabilities	29,863	45,476
Surplus/(deficit)	(29,863)	(45,476)
of which recoverable by employers	n/a	n/a

Accruing costs

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

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Sensitivity analysis

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

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

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

Table E – Sensitivity to significant assumptions

Change in assumption*	**Approximate effect on total liability**	
Financial assumptions	**%**	**£000**
(i) net discount rate increase of 0.5% a year	-6.0	(1,792)
(ii) pension increases of 0.5% a year	5.0	1,493
Demographic assumptions		
(ii) additional one-year increase in life expectancy at retirement	3.0	896

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

The discount rate sensitivity shown implies a Scheme duration of c.13.2 years.

COVID-19 implications

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

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

Kenneth Starr FIA
Actuary
Government Actuary's Department
September 2023

John Bayliss FIA
Actuary
Government Actuary's Department
September 2023

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Cabinet Office to prepare a statement of account for the RMSPS for each financial year, in the form and on the basis set out in the Accounts Direction.

The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Scheme at year end and of the net resource outturn, changes in taxpayers' equity and cash flows for the year then ended. The accounts are required to disclose any material expenditure or income that has not been applied to the purposes intended by Parliament, or material transactions that have not conformed to the authorities which govern them.

In preparing the financial statements, 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 HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FREM, have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the annual report and financial statements as a whole are fair, balanced and understandable and take personal responsibility for the annual report and financial statements and the judgements required for determining that as a whole they are fair, balanced and understandable.

HM Treasury has appointed the Permanent Secretary of Cabinet Office as Accounting Officer for the RMSPS. 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 Accounting Officers' Memorandum issued by HM Treasury and published in 'Managing Public Money'.

Governance Statement

1. Scope of responsibility

As the Accounting Officer for the RMSPS during 2022–23, I have responsibility for maintaining a sound system of governance, risk management and internal control that supports the achievement of the RMSPS's policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me in 'Managing Public Money'. I am also required to provide assurances about the stewardship of the RMSPS. These assurances are provided in this Governance Statement, in line with HM Treasury guidance.

2. Scheme governance

The governance arrangements of RMSPS are designed to:

- be efficient and cost effective;
- be based on a transparent and robust structure which is compliant with the Scheme rules; and
- follow relevant good practice and policy for public service schemes across government.

3. Governance: roles and responsibilities

The bodies and individuals involved in the Scheme governance are as follows:

- The **Minister for the Civil Service** (currently the Prime Minister) is the Scheme Manager. In practice, this responsibility is delegated to the **Minister for the Cabinet Office** and me, as the **Permanent Secretary for the Cabinet Office** and the Accounting Officer of the Scheme.

- The **Cabinet Office Audit and Risk Committee (COARC)** supports and advises me, as the Accounting Officer, on all relevant matters concerning audit and risk.

- The **Scheme Management team**, which is part of Government Business Services within the Cabinet Office, oversees the day-to-day management of the Scheme.

- The **Governance Group** is an advisory group which includes member representatives, and the Chair is appointed by the Minister for the Cabinet Office.

- The **RMPP Trustee Executive** has continued responsibility for the ongoing RMPP which holds pension benefits for active deferred members.

- The day-to-day administration of the Scheme is carried out by **Capita Pensions Solutions Ltd** under a contract with the Cabinet Office operated in accordance with the Department's internal control framework.

4. The Cabinet Office Audit and Risk Committee (COARC)

COARC is a sub-committee of the Cabinet Office Board that supports me as the Accounting Officer on all relevant matters concerning audit and risk.

COARC was chaired by Mike Ashley, an independent non-executive board member. All meetings were attended by at least one other non-executive director and the Cabinet Office Chief Financial Officer.

Scheme discussions included reports and updates provided by the Scheme Management team, the National Audit Office and the Government Internal Audit Agency (GIAA).

5. The Governance Group

The RMSPS Governance Group is an independent advisory group chaired by an independent non-executive Chair. Its membership is based on nominations from a range of stakeholders including the Scheme Management team, the Royal Mail Group plc, Post Office Ltd, unions, the National Federation of Occupational Pensioners and two independent representatives.

Board member	Role	Meetings attended	Out of a possible
John Cullen	Chair – Non-executive	4	4
Natasha Wilson	Non-executive member	3	4
Dominic Arthur/Kerrie Cureton-Williams/Múna Rowe	Cabinet Office official	4	4
Stephen Humphrey	HM Treasury (now independent)	3	4
Angela Gough	Royal Mail Group	4	4
Paul Wood (left 31/01/23)	Post Office Ltd	1	4
John Hearn (left 31/08/22)	National Federation of Occupational Pensioners	2	2
Andy Furey	Communication Workers Union	3	4
Stephen Halliwell	Communication Workers Union	3	4
Gary Sassoon-Hales	Unite the Union	3	4
Eamonn Donaughy (joined 01/10/22)	National Federation of Occupational Pensioners	2	2
Ian Rudkin (joined 01/02/23)	Post Office Ltd	0	1

The primary functions of the Governance Group are:

- to ensure the Scheme administration to gain assurance that the Scheme has the appropriate oversight, governance and controls in place and the Scheme administration is working efficiently and effectively, and to raise any concerns identified;
- to help inform member communication plans and products to promote effective member engagement; and
- to monitor cross-scheme issues to ensure consistency in the delivery of services to members.

The Governance Group met four times in the year to 31 March 2023 and was presented with reports highlighting the activities of the preceding months. These reports included:

- actual pension payments made against forecasts;
- a scheme report highlighting significant activity in the reporting period;
- a risk report highlighting key risks and their ratings;
- the number of overpayments made, recovery performance and causes; and
- the performance of Capita against agreed targets.

These reports and the data presented to the Governance Group are produced by the Scheme administrator and reviewed by the Scheme Management team to provide the level of detail needed for effective oversight. There is no requirement for a framework to be in place to review board performance because this is a non-statutory governance group that operates in an advisory capacity. As a matter of good practice, however, the Chair is expected to monitor board performance and effectiveness, and no issues were noted during the year. There is a conflict of interest policy in place, and a register of interests is maintained by the secretariat function.

6. Cabinet Office Scheme Governance

The Scheme Management team has oversight arrangements in place to monitor performance of the Scheme administrator, including a quarterly Strategy Group and a monthly Service Delivery Group. These are further supported by a Finance Governance Group and a Risk and Compliance Group.

7. Risk management

The Cabinet Office has a risk management framework in place to ensure key risks are monitored and effective measures are in place to mitigate them, via the joint administrator and Scheme Management team Risk and Compliance Group. The main risks kept under review and monitored on an ongoing basis are detailed in the table below.

Risk	Current position
Joint member interface discrepancies, including joint member processes, which could result in delays and errors with pension payments	This risk is now close to tolerance and continues to reduce. Further improvements to the joint member processes will continue throughout 2023–24.
Member data and data provided during the interface process and data security	The RMSPS Continuous Improvement Plan audit (this includes a Data Improvement Plan and Member Engagement Plan) has been drafted and reviewed and will be monitored at regular stakeholder meetings
Risk of cyber-attack	The incident led to an increase in work volumes and therefore could cause delays to projects due to lack of resource capacity. Capita performed an analysis and identified that approximately 4% of its servers were affected. A review was undertaken to identify members whose data was compromised; these members were then contacted and offered guidance and support.
Delivering the GMP programme and the potential for delays, leading to increased costs or inadequate delivery of the programme	This GMP Reconciliation and Rectification project is now in flight and member records are being adjusted where appropriate. The GMP Discovery Phase Project and the Data Analysis Project will commence later this year.
Failure to comply with scheme rules, or relevant laws or regulations	Controls are in place and continue to be reviewed/strengthened. Controls include but are not limited to: breach and error reporting processes, regulatory training, monthly disclosure reviews with a forward-look to all cases approaching disclosure deadlines, and workflow system recording of key disclosure timeframes for all activities and reports on warnings/failures.

All risks identified and reviewed during the year are recorded in a risk register, which is reviewed and updated on a monthly basis, or sooner if there is a change to the risk landscape. Where risks are outside of tolerance levels, mitigating controls or actions are implemented to address risks and are tracked via the Risk and Compliance Group.

8. Key issues arising in the reporting period

The administrator performance has remained strong during the year despite an increase in volumes of work following the introduction by the Royal Mail Group of a voluntary exit scheme.

In addition to this Capita is also engaged in a project to review GMPs for all members and to ensure that we equalise all scheme benefits, to eliminate any discrimination in the scheme (see page 8). The first two phases of this three phase project have been completed and the administrator will complete the final equalisation piece in 2023.

On 31 March 2023, the administrator was the victim of a cyber-attack. A thorough forensic analysis of its IT systems and infrastructure identified the problem, which impacted approximately 4% of its servers. A full review was undertaken to assess all affected files and identify those members whose data was compromised. As a result of the review, 136 members were identified as having their data compromised and were given guidance and support.

9. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance structures, risk management and system of internal control. My review of the effectiveness of the system of internal control is informed by the work of a number of parties. These included the Scheme Management team within the Cabinet Office, GIAA reporting into COARC and the external scheme auditors.

The administrator delivers monthly reports and the risk register and the Scheme Management team meets monthly with the Administrator to monitor risks and compliance. High-level risks, including the Governance risk and any issues, are reported to the Governance Group where appropriate.

Risks are identified through meeting groups (the Service Delivery Review meetings, the Risk Committee, the RMSPS Governance Group, the Security Working Group and the Scheme Management team risk meeting), risk workshops, horizon scanning, and ad hoc reporting from Capita to the Scheme Management team. Risks are evaluated through workshops or via the RMSPS Risk and Compliance Group and are continually monitored to ensure appropriate mitigations are in place.

In considering the effectiveness of the internal controls for the Scheme, I take into account the findings of the Reporting Accountants' assurance report for Capita Pensions Solutions Ltd for the year ending 31 December 2022. I have sought information from the administrator to aid consideration of the report's findings and concluded that risks are suitably mitigated by the control arrangements in place.

GIAA acts as the Scheme's overarching internal audit service. It develops an annual audit plan and provides me with an annual report and opinion on the adequacy and effectiveness of risk management, governance and control for the Scheme as a whole. GIAA coordinates its work with Capita Group Internal Audit (Capita GIA) and places some reliance on the work of Capita GIA to inform its annual opinion.

The GIAA Head of Internal Audit provided me with their report on internal audit activity over the reporting period, which contains their independent opinion on the adequacy and effectiveness of the Scheme's governance, risk management and internal control arrangements.

For 2022–23, the Scheme received a 'moderate' opinion. The Scheme Management team has been working closely with the administrator to address some aspects of its operational performance. GIAA recognises the underlying causes of operational issues are complex, and has welcomed increased collaboration with the RMPP, allowing for a revised map of the joint member process between both schemes to be implemented.

Capita GIA developed an audit plan for 2022–23, designed so that it delivers effective and efficient assurances to the Cabinet Office on the adequacy and effectiveness of the design and operation of Capita's governance, processes and controls. The plan was designed to focus on key areas of risk and the system of internal controls under a business as usual scenario. Audits carried out during the year covered child pensions, bereavement and pension sharing (Pension Credit), data integrity, The Pensions Regulators data scoring, payroll and IT user access management – Core Administration System, business continuity, and IT disaster recovery and recruitment.

Capita GIA issues an Annual Statement of Assurance each year on its opinion on the adequacy of risk, control and governance processes exercised by Capita management over the systems and processes used to administer the RMSPS contract. Where Capita GIA identified weaknesses, it confirmed that the administrator has taken appropriate measures to agree and remediate the identified weaknesses. All audit actions are subsequently tracked by Capita GIA until closure, with Capita GIA independently verifying that the actions have been adequately addressed. Capita GIA has confirmed it is are not aware of any errors, breaches or fraud, which may cause material financial loss or reputational damage to the Scheme Manager.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary

14 December 2023

Parliamentary Accountability and Audit Report

Statement of Outturn against Parliamentary Supply (subject to audit)

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual requires the 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 its 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 Supply Estimate details is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by its Supply Estimate (control limits), its 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: Analysis of net resource outturn by estimate line (SOPS1); and a reconciliation of outturn to net cash requirement (SOPS3).

Summary of resource and capital outturn 2022–23

		Outturn			Estimate			2022–23	2021–22
Type of spend	**SOPS Note**	**Voted £000**	**Non-voted £000**	**Total £000**	**Voted £000**	**Non-voted £000**	**Total £000**	**Outturn vs Estimate, saving Voted £000**	**Prior Year Outturn Total Restated £000**
Departmental expenditure Limit									
- Resource		-	-	-	-	-	-	-	-
- Capital		-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-
Annually managed expenditure									
- Resource	SOPS 1.1	693,204	-	693,204	877,000	-	877,000	183,796	534,597
- Capital		-	-	-	-	-	-	-	-
Total budget Expenditure		693,204	-	693,204	877,000	-	877,000	183,796	534,597
Non-budget Expenditure		-	-	-	-	-	-	-	-
Total Budget and Non budget		693,204	-	693,204	877,000	-	877,000	183,796	534,597

The prior year outturn has been restated; further information can be found in Note 8 of the financial statements.

	Note	2022–23 Outturn £000	2022–23 Estimate £000	2022–23 £000 Outturn vs Estimate, saving	2021–22 £000 Prior Year Outturn Total
Net cash requirement	SOPS3	1,506,971	1,573,000	66,029	33,570
Administration costs 2022–23		-	-	-	-

Figures in the column outlined in bold are voted totals subject to Parliamentary control.

All outturn figures are classified as voted annually managed expenditure (AME) items.

Supporting explanation for variance against outturn and the net cash requirement can be found under the financial review section of the Report of the Manager.

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

The notes below form part of these disclosures.

Notes to the Statement of Outturn against Parliamentary Supply, 2022–23 (£000s) (subject to audit)

SOPS1. Outturn detail, by estimate line

SOPS1.1 Analysis of net resource outturn, by estimate line

	Resource Outturn £000						**Estimate £000**			**2022–23 £000**	**2021–22 £000**
	Administration			**Programme**							
Type of spend (Resource)	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**	**Total**	**Virements**	**Total inc. virements**	**Outturn vs Estimate, saving**	**Prior Year Outturn, restated total**
Spending in Annually Managed Expenditure (AME)											
Voted expenditure											
RMSPS	-	-	-	693,204	-	693,204	877,000	-	877,000	183,796	534,597
Non-voted expenditure											
RMSPS	-	-	-	-	-		-	-	-	-	-
Total spending in AME	-	-	-	693,204	-	693,204	877,000	-	877,000	183,796	534,597
Total resource	-	-	-	693,204	-	693,204	877,000	-	877,000	183,796	534,597

The prior year outturn has been restated, further information can be found in Note 8 of the financial statements.

SOPS2. Reconciliation of outturn to net operating expenditure

The total resource outturn in SOPS1 is the same as net operating expenditure in the Statement of Comprehensive Net Expenditure, therefore no reconciliation is required.

SOPS3. Reconciliation of net resource outturn to net cash requirement (subject to audit)

	Note	Estimate £000	Outturn £000	2022–23 Net total outturn compared with estimate: saving £000	2021–22 Outturn Restated £000
Net resource outturn		877,000	693,204	183,796	534,597
Accruals adjustments:					
– Non-cash item – pension financing cost	7.4	(877,000)	(693,204)	(183,796)	(534,597)
Changes in working capital other than cash:					
– (Decrease)/increase in receivables		-	843	(843)	(465)
– (Increase)/decrease in payables (within 12 months)		-	4,775	(4,775)	(4,809)
Less movements in the consolidated fund and Scheme Manager payables		-	(4,207)	4,207	(2,671)
Use of provision:					
Pension		1,573,000	1,505,560	67,440	1,462,375
Net cash requirement		**1,573,000**	**1,506,971**	**66,029**	**1,454,430**

The prior year outturn has been restated, further information can be found in Note 8 of the financial statements.

There is a £66 million variance from the estimated cash requirement of £1,573 million to the outturn of £1,507 million. This is primarily due to the estimate incorporating cover for the risk of fluctuation in the incidence of retirements from month to month.

The £183.8 million variance in the net resource outturn of £693.2 million is due to the estimate incorporating cover for the risk of fluctuation in the resource requirement for the year.

The notional audit cost of £56,700 (2021–22: £50,500), in respect of the C&AG's audit of the Scheme's financial statements for the year ended 31 March 2023, is borne by the Vote of the Cabinet Office and is therefore not a reconciling item in the note above.

As noted in the introduction to the SOPS above, outturn and the 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.

Losses and Special Payments Disclosure (subject to audit)

There are no losses or special payments, individually or in aggregate in excess of £300,000 that would require disclosure during the year to 31 March 2023 (2021–22: none in excess of £300,000), or that have been recognised since that date.

Remote contingent liabilities (subject to audit)

There were no remote contingent liabilities during 2022–23.

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

Opinion on financial statements
I certify that I have audited the financial statements of the Royal Mail Statutory Pension Scheme ("the Scheme") for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The Scheme's financial statements comprise: the

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

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

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

Opinion on regularity
In my opinion, in all material respects:

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

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

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern
In auditing the financial statements, I have concluded that the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

Other information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

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

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

Matters on which I report by exception

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

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

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

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;

- ensuring that the Annual Report is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements
My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- considered the nature of the sector, control environment and operational performance including the design of the Scheme's accounting policies.
- inquired of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scheme's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scheme's controls relating to compliance with the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012, the Public Service Pensions Act 2013, the Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022 and the regulations set by The Pensions Regulator.
- 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: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, the selection of inappropriate assumptions or methodology unpinning the pensions liability and related estimates and the payment of benefits to ineligible members. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Scheme's framework of authority and other legal and regulatory frameworks in which the Scheme operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act

2022, Public Service Pensions Act 2013, regulations set by The Pensions Regulator and the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012).

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 the identified risks resulting from the above procedures:

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

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

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

Other auditor’s responsibilities

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

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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

Report

I have no observations to make on these financial statements.

Date 15 December 2023

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

Financial Statements

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

	Note	2022–23 £000	2021–22 Restated £000
Principal arrangements – RMSPS			
Expenditure			
Pension financing cost	3	693,204	534,597
Net expenditure		**693,204**	**534,597**
Other comprehensive net expenditure			
Net actuarial (gain)/loss	7.7	(14,800,628)	2,904,446
Total comprehensive net (income)/expenditure for the year ended 31 March		**(14,107,424)**	**3,439,043**

The Combined Statement of Comprehensive Net Expenditure, and the relevant supporting notes, as at 31 March 2022 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided in note 8 to the financial statements. The notes on pages 33 to 40 form part of these financial statements.

Statement of Financial Position
as at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 Restated £000	1 April 2021 Restated £000
Principal arrangements – RMSPS				
Current assets:				
Receivables	4	3,824	2,981	3,446
Cash and cash equivalents	5	14,370	18,577	21,248
Total current assets		**18,194**	**21,558**	**24,694**
Current liabilities:				
Payables (within 12 months)	6	(62,630)	(67,405)	(62,596)
Total current liabilities		**(62,630)**	**(67,405)**	**(62,596)**
Net current liabilities, excluding pension liability		**(44,436)**	**(45,847)**	**(37,902)**
Pension liability	7.4	(29,862,631)	(45,475,615)	(43,498,947)
Net liabilities, including pension liabilities		**(29,907,067)**	**(45,521,462)**	**(43,536,849)**
Taxpayers' equity:				
General fund		(29,907,067)	(45,521,462)	(43,536,849)
		(29,907,067)	**(45,521,462)**	**(45,536,849)**

The Statement of Financial Position, and the relevant supporting notes, as at 1 April 2021 and 31 March 2022 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided in note 8 to the financial statements.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary

14 December 2023

The notes on pages 33 to 40 form part of these financial statements.

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

	Note	31 March 2023 £000	31 March 2022 Restated £000
Balance as at 1 April		(45,521,462)	(43,536,849)
Net Parliamentary funding – drawn down		1,502,772	1,452,149
Net Parliamentary funding – deemed		18,569	20,850
Supply payable – current year adjustment	6	(14,370)	(18,569)
Net expenditure for the year		(693,204)	(534,597)
Net actuarial gain/(loss)	7.7	14,800,628	(2,904,446)
Balance as at 31 March		**(29,907,067)**	**(45,521,462)**

The Statement of Changes in Taxpayers' Equity, and the relevant supporting notes, as at 31 March 2022 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided in note 8 to the financial statements.

The notes on pages 33 to 40 form part of these financial statements.

Statement of Cash Flows
for the year ended 31 March 2023

	Note	2022–23 £000	2021–22 Restated £000
Cash flows from operating activities			
Net expenditure for the year		(693,204)	(534,597)
Adjustments for non-cash transactions – pension financing cost	3	693,204	534,597
(Increase)/decrease in receivables	4	(843)	465
(Decrease)/increase in payables – pensions	6	(4,775)	4,809
Less movements in consolidated fund and Scheme Manager payables	5	4,207	2,671
Use of provisions – pensions to retired employees and dependants	7.5	(1,232,763)	(1,182,418)
Use of provisions – commutations and lump-sum payments	7.5	(256,073)	(259,287)
Use of provisions – death benefits payable	7.5	(16,373)	(17,449)
Use of provisions – refunds and transfers	7.6	(351)	(3,221)
Net cash outflow from operating activities		**(1,506,971)**	**(1,454,430)**
Cash flows from financing activities			
From the consolidated fund (supply)		1,502,772	1,452,149
Net Parliamentary financing		**1,502,772**	**1,452,149**
Adjustments for payments and receipts not related to supply		-	-
Net financing		**1,502,772**	**1,452,149**
Net decrease in cash and cash equivalents in the year before adjustment for receipts and payments to the consolidated fund		**(4,199)**	**(2,281)**
Decrease of monies that are payable to the Scheme Manager as they are outside the scope of the Scheme's activities		(8)	(390)
Net decrease in cash and cash equivalents in the year after adjustment for receipts and payments to the consolidated fund		**(4,207)**	**(2,671)**
Cash and cash equivalents at 1 April	5	18,577	21,248
Cash and cash equivalents at 31 March	5	14,370	18,577
Net decrease in cash and cash equivalents		**(4,207)**	**(2,671)**

The Statement of Cash Flows, and the relevant supporting notes, as at 31 March 2022 have been restated to include a prior period adjustment in respect of a correction to the scheme liability. Additional detail is provided in note 8 to the financial statements. The notes on pages 33 to 40 form part of these financial statements.

Notes to the Scheme's financial statements

1.1 Basis of preparation of the Scheme's financial statements

The financial statements of the Scheme have been prepared in accordance with the relevant provisions of the 2022–23 'Government Financial Reporting Manual (FReM)' issued by HM Treasury. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector. 'IAS 19 Employee Benefits' and 'IAS 26 Accounting and Reporting by Retirement Benefit Plans' are of particular relevance to these statements.

These financial statements set out the RMSPS's transactions and balances relating to scheme members, all of whom transferred into the Scheme as at 1 April 2012. As this is a closed scheme, there are no employer or employee contributions; the ongoing pension and other payments are funded from the consolidated fund. The administrative expenses associated with the operation of the Scheme are borne by the Cabinet Office and reported in the Cabinet Office departmental accounts.

The Statement of Comprehensive Net Expenditure shows income and expenditure during the year. The only expenditure items are the actuary's estimates of the interest on the Scheme's ongoing liabilities and actuarial loss for the year. The Statement of Financial Position includes the actuary's estimate of the unfunded future pension costs of scheme members. These financial statements should be read in conjunction with the actuary's report.

1.2 Going concern

The Statement of Financial Position as at 31 March 2023 shows a pension liability of £29.9 billion (2021-22: £45.5 billion restated) reflecting liabilities falling due in the long term, which are to be financed by drawings from the consolidated fund. Such drawings will be grants of supply approved annually by Parliament to meet the Scheme's pension benefits, which come into payment each year. Under the Government Resources and Accounts Act 2000, no money may be drawn from the fund other than as required for the service of the specified year or retained in excess of that need. In common with other public service pension schemes, the future financing of the Scheme's liabilities is to be met by future grants of supply to be approved annually by Parliament. Such approval for amounts required for 2023-24 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2 Statement of accounting policies

The accounting policies contained in the FReM follow IFRS to the extent that they are meaningful and appropriate in the public sector context.

Where the FReM permits a choice of accounting policy, the policy judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme's financial statements. Where transactions are accounted for on a cash basis, this is specifically stated in the notes below.

An assessment of IFRS issued but not yet effective at the start of the year considered 'IFRS 17 Insurance Contracts' and determined it is not applicable, as the Scheme has not entered into any such arrangements.

2.1 Accounting convention

2.1.1 These financial statements have been prepared under the historical cost convention and the accruals basis.

2.2 Transfers out

2.2.1 Transfers out represent capital sums paid to other pension schemes for members who have left the Scheme. Transfers out are normally accounted for on a cash basis as use of provision, whereby payments in relation to transfers out decrease the total scheme liability.

2.3 Pension financing cost

2.3.1 The interest cost is the increase during the year in the present value of the Scheme's liabilities because the benefits are one year closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The interest cost is based on the discount rate (including inflation) at the start of the year, i.e. 1.55% for 2022–23 (1.25% for 2021–22).

2.4 Scheme liability

2.4.1 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 the assumptions set out in Note 7.1 below. The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2022) 08, dated 2 December 2022, and remain unchanged for these accounts.

2.4.2 Full actuarial assessments by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent full actuarial assessment at the Statement of Financial Position date and updates it to reflect current conditions and significant recent developments. The most recent full actuarial valuation was as at 31 March 2022.

2.5 Pension benefits payable

2.5.1 Pension benefits payable are accounted for on an accruals basis as a decrease in the Scheme pension liabilities. These include pensions, lump sums and death payments.

2.6 Actuarial gains and losses

2.6.1 Actuarial gains or losses arising are recognised in the Statement of Comprehensive Net Expenditure.

2.7 Credit losses

2.7.1 In accordance with 'IFRS 9 Financial Instruments', any expected credit losses are not considered to be material to the Scheme.

2.8 Additional voluntary contributions

2.8.1 There are no AVCs directly within the Scheme. AVC funds were not transferred into the RMSPS as part of the transfer of liabilities from the RMPP to the RMSPS. Any AVC contracts entered into with third party financial institutions in respect of AVCs are managed by the RMPP. However, when the Scheme is obliged to do so, it pays certain benefits arising from the disinvestment of AVCs to the relevant members. The Scheme then recovers all payments, in respect of any AVC benefit payments, from the RMPP. Where AVCs are still to be recovered at the year end, this is included as a receivable balance.

2.9 Critical accounting judgements and key sources of estimation uncertainty

2.9.1 In accordance with 'IAS 1' 'Presentation of Financial Statements', 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 ongoing basis. There have been no changes made to past assumptions. The key estimates and judgements relate to the valuation of the pensions liability set out in Note 7 below.

3 Pension financing cost (see also Note 7)

	2022–23	2021–22
		Restated
	£000	£000
Net interest on defined benefit liabilities	693,204	534,597
	693,204	**534,597**

The interest cost has been restated; further information can be found in Note 8 of the financial statements.

4 Receivables

	2022–23	2021–22
	£000	£000
Amounts falling due within one year:		
RMPP	2,154	1,354
Repayment from pensioners	1,669	1,625
Cabinet Office	-	1
Administrator	1	1
Balance at 31 March	**3,824**	**2,981**

5 Cash and cash equivalents

	2022–23	2021–22
	£000	£000
Balance at 1 April	18,577	21,248
Net change in cash balances	(4,207)	(2,671)
Balance at 31 March	**14,370**	**18,577**

The following balances at 31 March were held at:

Government Banking Service	14,321	18,485
Commercial banks and cash in hand	49	92
Balance at 31 March	**14,370**	**18.577**

6 Payables – in respect of pensions

	2022–23 £000	2021–22 £000
Amounts falling due within one year:		
Pensions payable	(17,073)	(17,956)
Lump sums payable	(18,984)	(19,197)
Tax deductions payable	(12,203)	(11,675)
Amounts issued from the consolidated fund for supply but not spent at year end	(14,370)	(18,569)
Amounts payable to the Cabinet Office	-	(8)
Balance at 31 March	**(62,630)**	**(67,405)**

7 Provision for pension liabilities

7.1 Assumptions underlying the pension liability

The RMSPS is a closed, defined benefit scheme and is wholly unfunded. Pension liabilities are accrued up to 31 March 2012, as explained in more detail in the Report of the Manager. The calculation of the pension liability is based on a full actuarial assessment of the Scheme carried out as at 31 March 2022, updated annually by the GAD to reflect changes that have occurred from 31 March 2022. The Report of the Actuary in these financial statements sets out the scope, methodology and results of the work the actuary has carried out.

The Scheme Management team, together with the actuary and the auditor, have drafted a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Scheme Management team 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 profiles, active and deferred members, and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- income and expenditure; and
- following consultation with the actuary, the key assumptions that should be used to value the Scheme's liabilities, other than those financial assumptions prescribed by HM Treasury, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the actuary, including mortality assumptions, are described in the Report of the Actuary; the primary financial assumptions are set out below. Since the Scheme is closed to future accrual, there are no assumptions about potential pay increases.

	At 31 March 2023 %	At 31 March 2022 %
Nominal rate of return (discount rate)	4.15	1.55
Nominal pension increases (CPI)	2.40	2.90
Rate of RPI inflation until February 2030	3.40	3.90
Rate of RPI inflation from February 2030	2.50	3.00
Discount rate net of inflation (CPI)	1.70	(1.30)

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 Manager acknowledges that the valuation is inherently uncertain, since a change in any one of these assumptions will either increase or reduce the liability.

The assumption with the biggest impact on the reported liability is the discount rate net of price inflation. As required by ‘IAS 19’, this is based on yields on high quality corporate bonds. However, unlike ‘IAS 19’, the yields are prescribed by HM Treasury and so are not assessed at the reporting date, nor calibrated to the term of the RMSPS liabilities. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

7.2 Analysis of the pension liability

Present value of the actuarial liability in respect of	31 March 2023 £ million	31 March 2022 Restated £ million
Pensions in payment	17,315	24,688
Deferred members	12,548	20,787
Total liabilities	**29,863**	**45,476**

7.3 Sensitivity analysis

In accordance with ‘IAS 19’, the Scheme Manager is required to undertake a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation at the end of the reporting period would have been affected by changes in the relevant actuarial assumption.

A sensitivity analysis for each significant actuarial assumption as at the end of the accounting year is detailed below.

Sensitivity to significant assumptions

Change in assumption*	Approximate effect on total liability	
Financial assumptions	**%**	**£000**
(i) net discount rate increase of ½% a year	(6.0)	(1,792,000)
(ii) pension increases of ½% a year	5.0	1,493,000
Demographic assumptions		
(ii) additional one-year increase in life expectancy at retirement	3.0	896,000

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

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

7.4 Analysis of movements in the Scheme liability

	Note	2022–23 £000	2021–22 Restated £000
Scheme liability as at 1 April		(45,475,615)	(43,498,947)
Pension financing cost	3	(693,204)	(534,597)
Benefits payable	7.5	1,505,209	1,459,154
Pension payments to and on account of leavers	7.6	351	3,221
Net actuarial gains/(losses)	7.7	14,800,628	(2,904,446)
Scheme liability at 31 March		**(29,862,631)**	**(45,475,615)**

The 2021/22 scheme liability has been restated, further information can be found in Note 8 of the financial statements.

7.5 Analysis of benefits paid

	2022–23 £000	2021–22 £000
Pensions to retired employees and dependants (net of recoveries or overpayments)	1,232,763	1,182,418
Commutations and lump sum benefits on retirement	256,073	259,287
Death benefits payable	16,373	17,449
Per Statement of Cash Flows	**1,505,209**	**1,459,154**

7.6 Analysis of payments to and on account of leavers

	2022–23 £000	2021–22 £000
Individual transfers to other schemes	351	3,221
Total payments to and on account of leavers	**351**	**3,221**

7.7 Analysis of actuarial gain/(loss)

	2022–23 £000	2021–22 Restated £000
Experience gains and losses arising on the pension liabilities	(2,591,765)	(487,009)
Changes to assumptions	17,392,393	(2,417,437)
Total actuarial gain/(loss)	**14,800,628**	**(2,904,446)**

The actuarial gain/(loss) has been restated, further information can be found in Note 8 of the financial statements.

7.8 History of experience gains/(losses)

	2022–23	2021–22 Restated	2020–21	2019–20	2018–19
Experience gains (and losses) on scheme liabilities:					
Amount (£000)	(2,591,765)	(487,009)	903,142	361,864	(1,378,262)
Percentage of the present value of the Scheme liabilities	8.68%	1.07%	1.86%	0.74%	3.14%
Total amount recognised in Statement of Changes in Taxpayers' Equity:					
Amount (£000)	14,800,628	(2,904,446)	(192,258)	(4,899,946)	2,229,738
Percentage of the present value of the Scheme liabilities	49.56%	6.39%	0.40%	10.00%	5.07%

8 Prior year restatement

An individual membership data extract as at 31 March 2022 was used for this year's accounts and a series of checks and validations were undertaken to confirm the accuracy, reliability as well as consistency with previous individual membership data extracts utilised. During this process, it was identified that elements of member's benefits, including supplementary pensions, split status pensions (members who are both deferred and pensioners) and GMP, that were thought to be payable in addition to the total pension in payment, were in fact also incorporated within the pension amount.

The impact of making an adjustment to compensate for this revised understanding of the data was to reduce the estimated scheme liabilities by approximately 10.6% or £5.4bn as at 31 March 2022.

Making a similar adjustment as at 1 April 2021 reduces scheme liabilities by approximately £5.1bn, and the interest cost for 2021–22 by approximately £65m.

This prior year restatement has had no impact on the correct calculation or payment of members' benefits. The following tables present the effect of the changes on the financial statements.

8.1 Restated 2021-22 opening position

Effect on Statement of Financial Position	Published 1 April 2021 £000	Adjustment 1 April 2021 £000	Restated 1 April 2021 £000
Pension liability	(48,614,358)	5,115,411	(43,498,947)
Net liabilities, including pension liabilities	**(48,652,260)**	**5,115,411**	**(45,536,849)**
General fund	(48,652,260)	5,115,411	(43,536,849)
Total taxpayers' equity	**(48,652,260)**	**5,115,411**	**(43,536,849)**

8.2 Restated 2021-22

Effect on Statement of Comprehensive Net Expenditure	**Published 2021–22 £000**	**Adjustment 2021–22 £000**	**Restated 2021–22 £000**
Expenditure			
Pension financing cost	598,631	(64,034)	534,597
Net expenditure	**598,631**	**(64,034)**	**534,597**
Other comprehensive net expenditure			
Net actuarial (gain)/loss	3,125,372	(220,926)	2,904,446
Total comprehensive net expenditure for the year ended 31 March	**3,724,003**	**(284,960)**	**3,439,043**

Effect on Statement of Financial Position	**Published 31 March 2022 £000**	**Adjustment 31 March 2022 £000**	**Restated 31 March 2022 £000**
Pension liability	(50,875,986)	5,400,371	(45,475,615)
Net liabilities, including pension liabilities	**(50,921,833)**	**5,400,371**	**(45,521,462)**
General fund	(50,921,833)	5,400,371	(45,521,462)
Total taxpayers' equity	**(50,921,833)**	**5,400,371**	**(45,521,462)**

Effect on Statement of Changes in Taxpayers' Equity	**Published 31 March 2022 £000**	**Adjustment 31 March 2022 £000**	**Restated 31 March 2022 £000**
Balance as at 31 March 2022	(48,652,260)	5,115,411	(43,536,849)
Comprehensive Net Expenditure for the year	(598,631)	64,034	(534,597)
Actuarial loss	(3,125,372)	220,926	(2,904,446)
Balance as at 31 March 2022	**(50,921,833)**	**5,400,371**	**(45,521,462)**

Effect on Statement of Cash Flows	**Published 31 March 2022 £000**	**Adjustment 31 March 2022 £000**	**Restated 31 March 2022 £000**
Net expenditure for the year	(598,631)	64.034	(534,597)
Adjustments for non-cash transactions – pension financing cost	598,631	(64,034)	534,597

9 Financial instruments

The Scheme's financial instruments comprise cash, receivables and payables. Details of these can be found in the relevant notes.

Resources, voted annually by Parliament, finance the Scheme's net revenue resource requirements; there is, therefore, no exposure to significant liquidity risks. The Scheme does not access funds from commercial sources and so is not exposed to interest rate risk.

The Scheme has no significant exposure to foreign exchange rate risk. The foreign exchange rate risk falls on the recipient of the payment made by the Scheme. Any increase or decrease in the amounts receivable, in respect of overseas payments liable to foreign exchange rate risk, is borne by the individual member.

There is no material difference between the fair values and carrying values of the Scheme's financial instruments.

10 Related-party transactions

The Scheme falls within the ambit of the Cabinet Office, which is regarded as a related party with which the Scheme has had various material transactions during the year in respect of commission income received payable to the Cabinet Office and administration fees paid to be reimbursed to the Scheme. None of the managers of the Scheme, key managerial staff or other related parties have undertaken any material transactions with the Scheme during the year (2021–22: none).

The RMPP Trustee Executive has continued responsibility for the ongoing RMPP that holds pension benefits for active deferred members. AVC funds are retained in the RMPP and material transactions are completed during the year in relation to these funds.

11 Events after the reporting period

There have been no material events between the Statement of Financial Position date and the date the account was authorised for issue.

The Accounting Officer of the Scheme has authorised these financial statements to be issued on the date that the Comptroller and Auditor General certifies the accounts.

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