
National Health Service Pension Scheme

Introduction

1. This Estimate covers the payment of pensions and other benefits to persons covered by the National Health Service (NHS) Pension Scheme. The rules of the scheme are set out in the National Health Service Pension Scheme Regulations 1995 (as amended).
2. Membership of the scheme is open to most employees in the NHS and for doctors and dentists in general practice, and the benefits include payments to widows, widowers, and dependants of participants who die in service or retirement. Provision is also made for refunds of contributions to early leavers, and for the payment and receipt of transfer payments in respect of persons moving out of and into employments covered by the scheme.
3. The Estimate includes the increase payable in accordance with the Annual Review Orders made under section 59 of the Social Security Pension Act 1975. The scheme is notionally funded for the basic benefits and pensions increase. Part of the scheme's income consists of receipts from contributions (both employer and employee), capitalised payments for early retirements and transfers from other pension schemes. These are appropriated in aid of the Estimate to offset the expenditure of benefits.
4. As a consequence of adopting Financial Reporting Standard ("FRS") 17 'Retirement Benefits', the Resource Accounts of pension schemes administered by central government have, from 2003-04, include on their balance sheets the liability to meet future pension costs. They also account for the accruing cost of providing pensions rather than just the benefits payable and contributions receivable. Whilst the format is largely unaltered, the way in which resource expenditure is measured has fundamentally changed. Such changes are reflected in this Estimate.

Request for Resources

5. In 2001-02 and 2002-03, Request for Resources provided for the amounts to be paid and payable in respect of retirement benefits, net of contributions. In consequence, there was generally little difference between the Estimates provision for Resources and for the Net Cash Requirement. Figures relating to 2002-03, for the purpose of this estimate, have been disclosed in line with the format as detailed at point 6.
6. From 2003-04 the Estimate provision for resource expenditure is instead of the cost of benefits accruing in the year. The most significant of these are build-up of benefit entitlements from employees service during the year and the interest cost arising because future benefit payments are one year closer to settlement. Income from contributions continues to be appropriated in aid of expenditure.

Net Cash Requirement

7. The elements of the Net Cash Requirement are unaltered but are accounted for differently. Most significantly, the payment of pensions and lump sums that were previously the cash consequences of resource expenditure, are now the use of the balance sheet provision for pensions.

Consequences of the change

8. There may now be a significant difference between the resource costs and cash requirements of retirement benefits. There is no necessary relationship between the benefits accruing in any particular year and the benefits paid in that year.
9. The NHS Pensions Agency is responsible for administering the scheme. The related running costs are borne on the Department of Health Estimate.
10. Symbols are explained in the Introduction to this booklet.

Part I

	£
Request for Resources 1: National Health Service Pension Scheme	6,191,453,000
Total net resource requirement	6,191,453,000
Net cash requirement	1,000

Amounts required in the year ending 31 March 2005 for expenditure by National Health Service (NHS) Pensions Agency on:

RfR 1: National Health Service Pension Scheme

Pensions, allowances, gratuities, transfers to alternative pension arrangements, refunds of contributions, compensation for early retirement, to or in respect of persons engaged in health services or in other approved employment

The **National Health Service (NHS) Pensions Agency** will account for this Estimate.

	Net total	Allocated in Vote on Account	Balance to complete/surrender
	£	£	£
RfR 1	6,191,453,000	991,860,000	5,199,593,000
Total net resource requirement	6,191,453,000	991,860,000	5,199,593,000
Net cash requirement	1,000	11,250,000	–11,249,000

Part II: Subhead detail

£'000

2004-05						2003-04 Provision	2002-03 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
RfR 1: National Health Service Pension Scheme									
-	12,107,696	-	12,107,696	5,916,243	6,191,453	-	-	6,187,649	4,721,722
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Pensions									
-	12,107,696	-	12,107,696	5,916,243	6,191,453	-	-	6,187,649	4,721,722
Total for Estimate:									
-	12,107,696	-	12,107,696	5,916,243	6,191,453	-	-	6,187,649	4,721,722

Part II: Resource to cash reconciliation

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
Net Total Resources	6,191,453	6,187,649	4,721,722
Voted capital items			
Capital	-	-	-
Less Non-operating A-in-A	-	-	-
Total net voted capital	-	-	-
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-	-	-
Depreciation	-	-	-
New provisions and adjustments to previous provisions	-12,107,696	-11,372,189	-7,943,174
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-	-	-
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-62,462
Increase (-) / Decrease (+) in creditors	2,056,467	1,737,672	18,079
Use of provisions	3,859,777	3,471,868	3,265,835
Total accruals to cash adjustments	-6,191,452	-6,162,649	-4,721,722
Excess cash to be CFERd	-	-	-
Net Cash Requirement	1	25,000	-

Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	£'000					
	2004-05 Provision		2003-04 Provision		2002-03 Outturn	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income not classified as AinA	-	-	-	-	152,790	<i>152,790</i>
Non-operating income not classified as AinA	-	-	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	300	<i>300</i>	300	<i>300</i>	451	<i>451</i>
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	-
Total	300	<i>300</i>	300	<i>300</i>	153,241	<i>153,241</i>

Forecast Combined Revenue Account

£'000

	2004-05 provision	2003-04 provision	2002-03 outturn
Programme Costs			
Vote Expenditure			
Income			
Contributions receivable	5,565,808	4,955,840	2,931,206
Transfers In	203,285	120,000	180,687
Other Income	147,150	108,700	109,559
Total	5,916,243	5,184,540	3,221,452
Expenditure			
Increase in Liability	5,916,243	5,520,480	3,374,242
Interest on Scheme Liability	6,191,453	5,851,709	4,568,932
Total	12,107,696	11,372,189	7,943,174
Net Programme Costs			
TOTAL NET OUTGOINGS FOR THE YEAR	6,191,453	6,187,649	4,721,722
<i>of which</i>			
NET RESOURCE OUTTURN	6,191,453	6,187,649	4,721,722
<i>less</i>			
prior period adjustments			
CFERS	—	—	–152,790
RESOURCE BUDGET OUTTURN	6,191,453	6,187,649	4,568,932

Notes to the Main Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
Net Resource Outturn (Estimates)	6,191,453	6,187,649	4,721,722
<i>Adjustments to remove:</i>			
provision voted for earlier years	—	—	—
<i>Adjustments to additionally include:</i>			
non-voted expenditure in the OCS	—	—	—
Consolidated Fund Extra Receipts in the OCS	—	—	-152,790
Other adjustments			
Net Operating Cost (Accounts)	6,191,453	6,187,649	4,568,932
<i>Adjustments to remove:</i>			
capital grants to local authorities	—	—	—
capital grants financed from the Capital Modernisation Fund	—	—	—
European Union income and related adjustments	—	—	—
voted expenditure outside the budget	—	—	—
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	—	—	—
resource consumption of non departmental public bodies	—	—	—
unallocated resource provision	—	—	—
Other adjustments			
Resource Budget Outturn (Budget)	6,191,453	6,187,649	4,568,932
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	6,191,453	6,187,649	4,568,932

Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
Net Voted Capital Outturn (Estimates)	—	—	—
<i>Adjustments to remove:</i>			
gains / losses from sale of capital assets	—	—	—
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	—	—	—
capital spending by non-departmental public bodies	—	—	—
capital grants to local authorities	—	—	—
capital grants financed by the Capital Modernisation Fund	—	—	—
local authority credit approvals	—	—	—
capital spending by levy funded bodies	—	—	—
unallocated capital provision	—	—	—
Other adjustments			
Capital Budget Outturn (Budget)	—	—	—
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	—	—	—

Notes to the Main Estimate *(continued)*

Explanation of Accounting Officer responsibilities

The Treasury has appointed the Chief Executive of the NHS Pensions Agency, P. A. Corless, as Accounting Officer with responsibility for preparing the Agency's Accounts and the NHS Pension Scheme Estimate and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the Resource Accounting Manual prepared by the Treasury, and in particular to:

- Observe 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis, unless it is inappropriate to presume that either of the Schemes will continue in operation.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Pension Scheme's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting*.

Analysis of appropriations in aid (A in A)

	£'000					
	2004-05 provision		2003-04 provision		2002-03 outturn	
	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A
RfR 1: NHS Pensions						
Income from contributions and transfers in from other schemes	5,916,243	—	5,184,540	—	3,221,452	—
Total RfR 1	5,916,243	—	5,184,540	—	3,221,452	—
Total A in A	5,916,243*	—	5,184,540	—	3,221,452	—

* Amount that may be applied as appropriations in aid in addition to the net total, arising from superannuation contributions; transfer values; deductions from superannuation contributions and lump sum payments in lieu of graduated contributions; contributions equivalent premiums.

Notes to the Main Estimate *(continued)*

Analysis of Consolidated Fund extra receipts

	2004-05 provision		2003-04 provision		£'000 2002-03 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Excess Appropriations in Aid			—	—	152,790	152,790
Other Income	300	300	300	300	451	451
Total	300	300	300	300	153,241	153,241

Comparisons of provision sought with final provision and forecast outturn for the previous year

The total net resource sought for 2004-05 of £6,191,453,000 is 0.1 per cent higher than the final net provision for 2003-04 of £6,187,649,000 and 8.0 per cent higher than the forecast outturn for 2003-04 of £5,732,600,000.

Cash which may be retained to offset expenditure

Cash which may be retained by the department to offset expenditure in the year due to its relationship with income that has been or will be appropriated in aid

	2004-05 provision	2003-04 provision	£'000 2002-03 outturn
	5,916,243	5,184,540	3,221,452