

Supplementary Estimate Memorandum (2022-23) for the Cabinet Office: Civil Superannuation

1 Overview

1.1 Objectives

The Civil Superannuation vote ('the Vote') provides funding for the Civil Service Pension Schemes (CSPS) which include the Principal Civil Service Pension Scheme and the Civil Servants and Others Pension Schemes. The Vote also provides funding for some smaller schemes and a small number of specific pension related payments.

The actual payment of pension benefits to pensioners is funded by cash contributions made in the year from current employees and employers, with the shortfall being financed by the Exchequer.

1.2 Spending controls

Expenditure covered by the Vote is not subject to pre-set Departmental Expenditure Limit control totals but is classified as resource Annually Managed Expenditure (AME) so that it can be revised to reflect changes in circumstance. This is because the factors that drive the expenditure and cash payments covered by the Scheme are largely outside the control of the scheme administrators; for example recruitment and retirement rates, salary and pension increases, mortality etc.

1.3 Comparison of net spending totals requested

The table and graphic below show how the amounts requested in this Supplementary Estimate compares with the Main Estimate for 2022-23 and the actual outturn for 2021-22. Increases are shown as positive figures and decreases as negative figures.

Net Spending Total Amounts sought this year (Supplementary Estimate 2022-23)		Increase/(decrease) compared to original budget this year (Main Estimate 2022-23)		Increase/(decrease) compared to final outturn last year (Outturn 2021-22)	
		£m	%	£m	%
Resource AME	£ 16,452.8 m	1,370.0	9.1	4,805.6	41.3
Net cash requirement	£ 979.4 m	(84.0)	(7.9)	205.2	26.5

1.4 Key drivers of spending changes since last year

The Resource AME mainly comprises:

- the present value of future pension benefits arising from members' service during the year (the current service cost),
- any increase in the present value of future pension benefits arising from members' service in prior periods (the past service cost), and
- the interest charge arising because pension benefits are one year closer to payment.

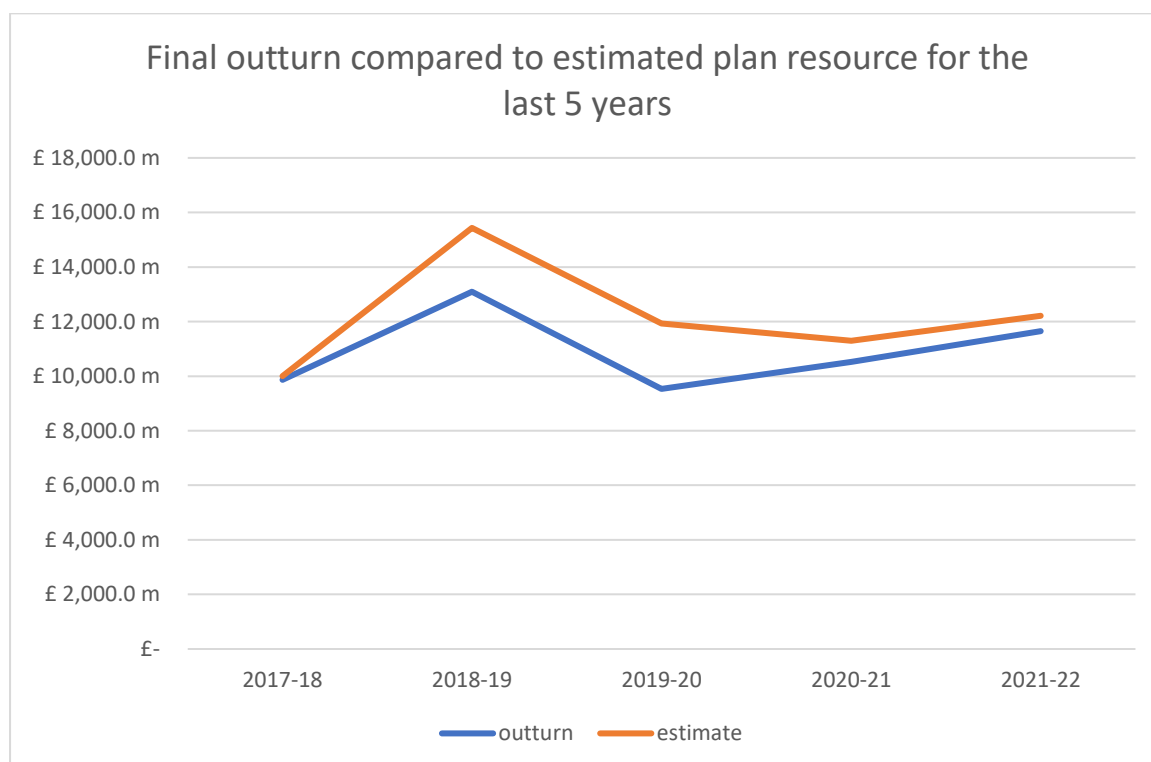
All three are non-cash costs but are partly offset in the estimate by cash contributions receivable from employers and employees.

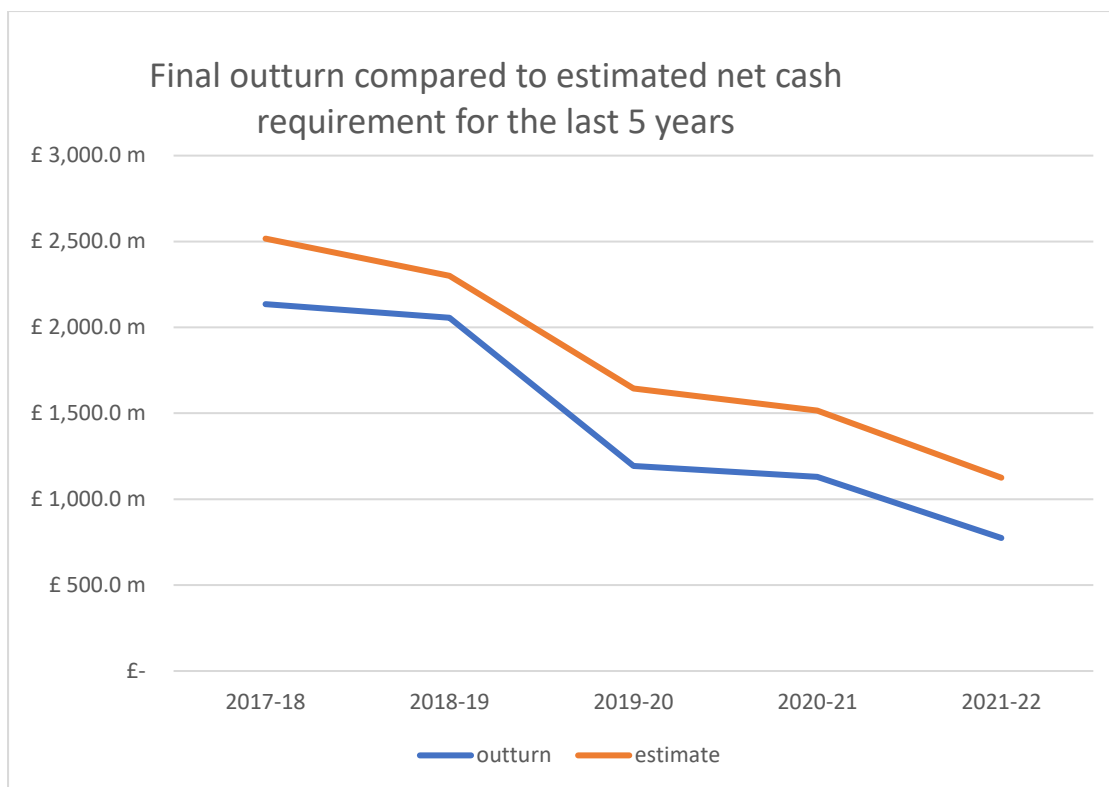
The Resource AME requirement has increased by £1,370m to cover the current service cost of the scheme driven by the increase in cash flow into the Scheme from contributions.

There is a Net Cash Requirement because the cash contributions receivable from employers and employees in the year will not fully cover the actual payment of pension benefits. The expected Net Cash Requirement has decreased by £84 million since the Main Estimate due to higher than expected contributions received by the Scheme.

1.5 Spending trends

The charts below show and compare the estimates for spending and actual outturn since 2017-18. As AME is re-forecast on an annual basis, there are no future plans beyond the current Estimate.





1.6 Administration costs

The cost of administering the Civil Service pension arrangements during 2021-22 was £34.9 million (2020-21 £34.0 million). The administration cost is expected to remain consistent for 2022-23.

2 Spending detail

2.1 Explanations of changes in spending

Description	Detail	Resource AME				
qmc		(2022-23 Supplementary Estimates budget sought)	This year (2022-23 Main Estimates budget approved)	Change (Main to Supplementary Estimates)		explanatio n note
		£m	£m	change (£m)	change %	
Expenditure						
	Current service costs	16,400.5	14,800.0	1,600.5	10.8	1
	Transfers in	79.1	424.0	-344.9	-81.3	2
	Enhancements	31.6	31.6	0.0	n/a	
	Interest on scheme liability	5,500.0	5,500.0	0.0	0.0	
	Other expenditure	825.8	550.2	275.6	50.1	3
Sub total		22,837.0	21,305.8	1,531.2		
Income						
	Contributions	-6,166.1	-5,998.0	-168.1	2.8	4
	Transfers in	-79.1	-74.0	-5.1	6.9	2
	Other income	-139.0	-151.0	12.0	-7.9	4
Sub total		-6,384.2	-6,223.0	-161.2		
net resource requirement		16,452.8	15,082.8	1,370.0		
Payments (use of provisions)						
	Pension payroll	6,229.2	6,230.0	-0.8	0.0	5
	Lump sums	971.0	893.0	78.0	8.7	5
	Transfers out	40.2	40.2	0.0	0.0	5
	Other payments	115.0	115.0	0.0	0.0	5
	Non-cash expenditure	-22,828.8	-21,297.6	-1,531.2	7.2	6
Net cash requirement		979.4	1,063.4	-84.0		

- 1 Increase in current service cost due to updated information on employer contributions and workforce expansion
- 2 Decrease in expected transfers into the scheme
- 3 Increase in the current service cost of other smaller schemes due to updated contribution information from the 21-22 outturn
- 4 The figure has been revised to take account of new information since the Main Estimate which includes updated (higher) contribution receipts and greater paybill growth
- 5 Net increase in cash required to cover benefit payments
- 6 The sum of non-cash expenditure

2.2 Estimated scheme liabilities

The latest accounting valuation of all scheme liabilities was £342 billion at 31 March 2022 (2021: £307 billion). At that time there were 1.6 million CSPS members.

3 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimate Memorandum has been approved by myself as Accounting Officer.



Alex Chisholm

Accounting Officer

Civil Superannuation

8 February 2023