

# Supplementary Estimate Memorandum (2020-21) 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 2020/21 and the actual outturn for 2019/20. Increases are shown as positive figures and decreases as negative figures.

Net Spending Total Amounts sought this year (Supplementary Estimate 2020-21)		Increase/(decrease) compared to original budget this year (Main Estimate 2020-21)		Increase/(decrease) compared to final outturn last year (Outturn 2019-20)	
		£m	%	£m	%
Resource AME	£ 11,295.0 m	341.0	3.1	1,759.8	18.5
Net cash requirement	£ 1,515.8 m	-236.0	-13.5	322.6	27.0

## 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.

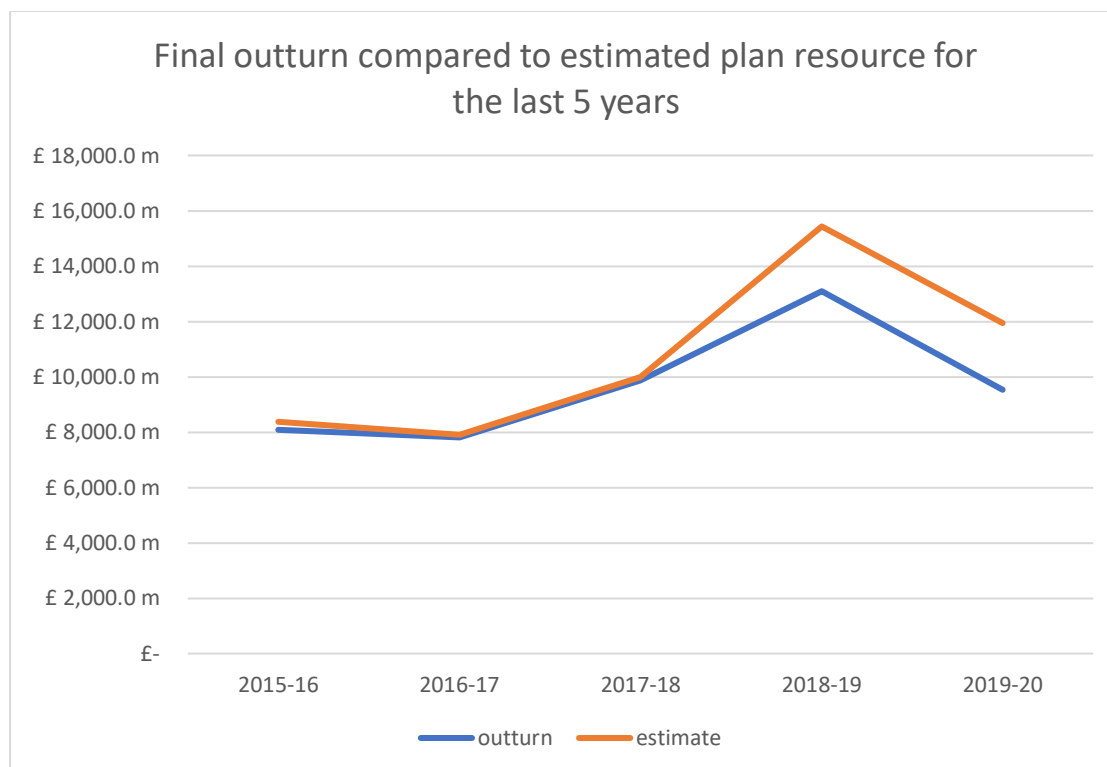
All three are non-cash costs but are partly offset in the estimate by cash contributions receivable from employers and employees.

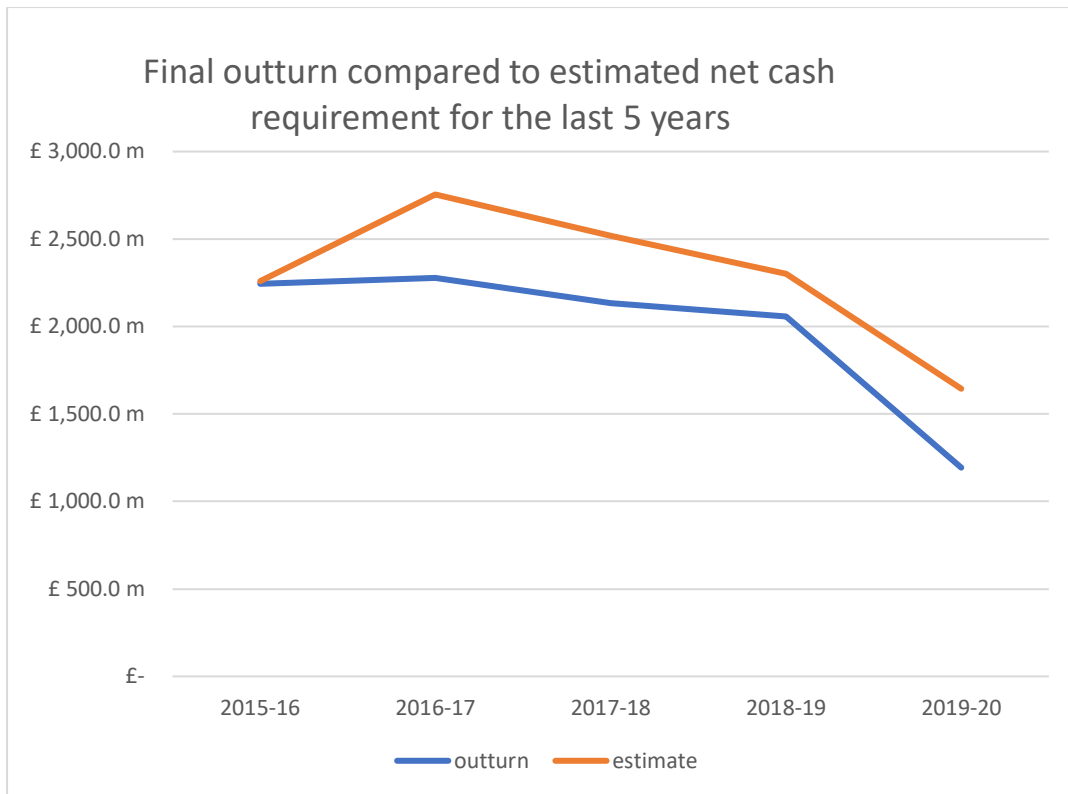
The Resource AME requirement has increased by £341m to cover the current service cost of the scheme and interest cost driven by the increase in cash flow into the Scheme from contributions.

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 £236 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 2015/16. 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 2019-20 was £38.3 million (2018-19 £42.3 million). The administration cost is expected to remain consistent for 2020-21.

## 2 Spending detail

### 2.1 Explanations of changes in spending

Description	Detail	Resource AME				explanation note
		(2020-21 Supplementary Estimates budget sought)	This year (2020-21 Main Estimates budget approved)	Change (Main to Supplementary Estimates)		
		£m	£m	change (£m)	change %	
<b>Expenditure</b>						
	<i>Current service costs</i>	11,011.0	10,700.0	311.0	2.9	1
	<i>Transfers in</i>	82.3	89.0	-6.7	-7.5	2
	<i>Enhancements</i>	26.4	26.4	0.0	0.0	
	<i>Interest on scheme liability</i>	5,350.0	5,100.0	250.0	4.9	
	<i>Other expenditure</i>	363.7	357.5	6.2	1.7	3
<b>Sub total</b>		<b>16,833.4</b>	<b>16,272.9</b>	<b>560.5</b>		
<b>Income</b>						
	<i>Contributions</i>	-5,303.2	-5,093.0	-210.2	4.1	4
	<i>Transfers in</i>	-82.3	-89.0	6.7	-7.5	2
	<i>Other income</i>	-154.0	-137.9	-16.1	11.7	
<b>Sub total</b>		<b>-5,539.5</b>	<b>-5,319.9</b>	<b>-219.6</b>		
<b>net resource requirement</b>		<b>11,293.9</b>	<b>10,953.0</b>	<b>340.9</b>		
<b>Payments (use of provisions)</b>						
	<i>Pension payroll</i>	6,012.9	6,000.0	12.9	0.2	5
	<i>Lump sums</i>	879.0	909.0	-30.0	-3.3	5
	<i>Transfers out</i>	48.9	48.9	0.0	0.0	
	<i>Other payments</i>	104.0	103.0	1.0	1.0	
	<i>Non-cash expenditure</i>	-16,822.9	-16,262.4	-560.5	3.4	6
<b>Net cash requirement</b>		<b>1,515.8</b>	<b>1,751.5</b>	<b>-235.7</b>		

- 1 Increase in current service cost due to updated information on employer contributions and workforce expansion
- 2 Decrease in expected bulk transfers into the following the ruling on transitional protection and subsequent remedy programme
- 3 Increase in the current service cost of other smaller schemes to align with the 20-21 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 decrease 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 £280.1 billion at 31 March 2020. At that time there were 1.57 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 2021

---

# Cabinet Office: Civil Superannuation

---

## Introduction

This Supplementary Estimate is required for the following purposes:

£

---

<b>Changes in budgets, non-budget voted provision and cash</b>	<b>Increases</b>	<b>Reductions</b>	<b>Total</b>
Increase in current service cost and interest cost following projected increase in payroll and decrease in projected benefits paid.	341,000,000		
<b>Total change in Resource AME (Voted)</b>	<b>341,000,000</b>		<b>341,000,000</b>
Increase in expected contribution income following projected increase in pensionable payroll.		-236,000,000	
<b>Total change in Net Cash Requirement</b>		<b>-236,000,000</b>	<b>-236,000,000</b>

---

---

## Part I

---

£

	Voted	Non-Voted	Total
<b>Departmental Expenditure Limit</b>			
Resource	-	-	-
Capital	-	-	-
<b>Annually Managed Expenditure</b>			
Resource	341,000,000	-	341,000,000
Capital	-	-	-
<b>Total Net Budget</b>			
Resource	341,000,000	-	341,000,000
Capital	-	-	-
<b>Non-Budget Expenditure</b>	-		
<b>Net cash requirement</b>	<b>-236,000,000</b>		

---

Supplementary amounts required in the year ending 31 March 2021 for expenditure by Cabinet Office: Civil Superannuation on:

### **Annually Managed Expenditure:**

#### Expenditure arising from:

The superannuation of civil servants; pensions etc., and other pensions and non-recurrent payments; for other related services and related non-cash items.

#### Income arising from:

Charges received from departments and others on account of the cost of pension cover provided for their staff. Periodical contributions for widows', widowers', and dependants' benefits. Other superannuation contributions, transfer values and bulk transfer receipts.

**Cabinet Office** will account for this Estimate.

## Part II: Changes Proposed

£'000

Net Resources						Net Capital		
Present		Changes		Revised		Present	Changes	Revised
Admin	Prog	Admin	Prog	Admin	Prog	7	8	9
1	2	3	4	5	6			
<b>Spending in Annually Managed Expenditure (AME)</b>								
<b>Voted Expenditure</b>								
-	10,952,970	-	341,000	-	11,293,970	-	-	-
<i>Of which:</i>								
A Civil superannuation								
-	10,952,970	-	341,000	-	11,293,970	-	-	-
<b>Total Spending in AME</b>								
			-	341,000				-
<b>Total for Estimate</b>								
			-	341,000				-
<i>Of which:</i>								
<b>Voted Expenditure</b>								
		-	341,000					
<b>Non Voted Expenditure</b>								
		-	-					
						<b>£'000</b>		

Present Plans	Changes	Revised Plans
---------------	---------	---------------

<b>Net Cash Requirement</b>	<b>1,751,470</b>	<b>-236,000</b>	<b>1,515,470</b>
-----------------------------	------------------	-----------------	------------------





---

## Part II: Resource to cash reconciliation

---

£'000

---

	Present Plans	Changes	Revised Plans
<b>Net Resource Requirement</b>	<b>10,952,970</b>	<b>341,000</b>	<b>11,293,970</b>
<b>Net Capital Requirement</b>	-	-	-
<b>Accruals to cash adjustments</b>	<b>-9,201,500</b>	<b>-577,000</b>	<b>-9,778,500</b>
<i>Of which:</i>			
<i>Adjustment for ALBs:</i>			
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
<i>Adjustments to remove non-cash items:</i>			
Depreciation	-	-	-
New provisions and adjustments to previous provisions	-16,262,400	-561,000	-16,823,400
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-	-	-
<i>Adjustments to reflect movements in working balances:</i>			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	-	-	-
Use of provisions	7,060,900	-16,000	7,044,900
<b>Removal of non-voted budget items</b>	-	-	-
<i>Of which:</i>			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
<b>Net Cash Requirement</b>	<b>1,751,470</b>	<b>-236,000</b>	<b>1,515,470</b>

---

## Part III: Note A - Forecast Combined Revenue Account & Reconciliation Table

£'000

	Plans
Gross Programme Costs	16,833,870
<i>Of which:</i>	
Increases in liability	11,359,400
Interest on scheme liability	5,464,000
Other expenditure	10,470
<i>Less:</i>	
Contributions received	-5,401,331
Transfers in	-82,269
Other income	-56,300
<b>Net Programme Costs</b>	<b>11,293,970</b>
<b>Total Net Operating Costs</b>	<b>11,293,970</b>
<i>Of which:</i>	
Resource DEL	-
Capital DEL	-
Resource AME	11,293,970
Capital AME	-
Non-budget	-
<i>Adjustments to include:</i>	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in the FCRA	-
<i>Adjustments to remove:</i>	
Capital in the FCRA	-
Non-Budget Consolidated Fund Extra Receipts in the FCRA	-
Other adjustments	-
<b>Total Resource Budget</b>	<b>11,293,970</b>
<i>Of which:</i>	
Resource DEL	-
Resource AME	11,293,970
<i>Adjustments to include:</i>	
Prior period adjustments	-
<i>Adjustments to remove:</i>	
Consolidated Fund Extra Receipts in the resource budget	-
Other adjustments	-
<b>Total Resource (Estimate)</b>	<b>11,293,970</b>

---

## Part III: Note B - Analysis of Departmental Income

---

£'000

Revised  
Plans

---

<b>Voted Resource AME</b>	<b>-5,539,900</b>
<i>Of which:</i>	
Programme	
Pensions	-5,539,900
<i>Of which:</i>	
A Civil superannuation	-5,539,900
Total Programme	<u>-5,539,900</u>
<b>Total Voted Resource Income</b>	<b><u>-5,539,900</u></b>

---

---

## **Part III: Note C - Analysis of Consolidated Fund Extra Receipts**

No CFER income or receipts are expected in 2020-21.

---

## Part III: Note D - Explanation of Accounting Officer responsibilities

The Accounting Officer prepares resource accounts for each financial year.

The following individuals are responsible for the expenditure within this Estimate:

**Accounting Officer:** Alex Chisholm

Alex Chisholm has personal responsibility for the proper presentation of the department's resource accounts and their transmission to the Comptroller & Auditor General, and is also responsible for the use of public money and stewardship of assets.

In discharging these responsibilities, particular regard is given to:

- observing any accounting and disclosure requirements (including any Accounts Direction) and applying suitable accounting policies on a consistent basis;
- making judgements and estimates on a reasonable basis;
- stating whether applicable accounting standards, as set out in the Financial Reporting Manual (FRM), or an organisation's version of it, have been followed, and explain any material departures in the accounts; and
- preparing the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for regularity and propriety of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding assets, are also set out in Chapter 3 of Managing Public Money.