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SCOTTISH PUBLIC PENSIONS AGENCY

NHS Superannuation Scheme (Scotland)

2006-2007

NHS SUPERANNUATION SCHEME (SCOTLAND) 2006-2007

Presented to Parliament pursuant to
Section 22(5) of the Public Finance and
Accountability (Scotland) Act 2000

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December 2007

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SCOTTISH PUBLIC PENSIONS AGENCY - PENSION SCHEME STATEMENT

NHS SUPERANNUATION SCHEME (SCOTLAND) 2006 - 2007

1. The Scottish Public Pensions Agency is responsible for managing the NHS Superannuation Scheme (Scotland) whose members comprise NHS employees of all types (hospital consultants, nurses, porters, administrators etc.) employed by Health Boards and a range of smaller employers as well as General Medical Practitioners, their staff and Dental Practitioners.

The Agency also administers payments of compensation benefits due to NHS employees where their employers have capitalised their liability for these payments. The NHS Premature Retirement Compensation Scheme for Scotland is administered by the Scottish Executive Health Department but capitalised liabilities are transferred to the NHS Superannuation Scheme (Scotland) and administered by the Agency.

Chapter 8 of the Government Financial Reporting Manual requires pension schemes to publish scheme statements which conform as far as possible to the provisions of Financial Reporting Standard (FRS) 17.

2. The resource accounts for the NHS Superannuation Scheme (Scotland) comprises:

- a. Report of the Managers;
- b. Report of the Actuary;
- c. Statement of the Accountable Officer's Responsibilities;
- d. Statement on Internal Control;
- e. Auditor's Report;
- f. Statement of Parliamentary Supply;
- g. Revenue Account and Statement of Recognised Gains and Losses;
- h. Balance Sheet;
- i. Cash Flow Statement;
- j. Notes to the Accounts.

NHS SUPERANNUATION SCHEME (SCOTLAND)

REPORT OF THE MANAGERS

Accounts for the year ended 31 March 2007

Introduction

The NHS Superannuation Scheme (Scotland) is an unfunded, contributory, voluntary membership Scheme administered by the Scottish Public Pensions Agency. The current regulations under which the Scheme operates are The National Health Service Superannuation Scheme (Scotland) Regulations 1995, as amended.

The Regulations apply to the members as defined by the Regulations.

Further information about the Scheme is given in a range of explanatory booklets, principally:

- "A Guide to the Scheme for NHS Employees in Scotland",
- "A Guide to the Scheme for General Practitioners in Scotland",
- "A Guide to Buying Additional Service".

The first two are issued automatically to all members; the third is available on request.

The Agency also maintains an internet site at www.sppa.gov.uk which provides a range of information on the NHS Scheme.

As this information covers the period before the Scottish Executive changed its name to the Scottish Government, the term Scottish Executive is used throughout.

Managers, Advisors and Employers

Managers:

Agency Accountable Officer: Neville Mackay
Chief Executive
Scottish Public Pensions Agency
7 Tweedside Park
Galashiels
TD1 3TE

Scheme Administrator: Ian Clapperton
Director of Operations
Scottish Public Pensions Agency
7 Tweedside Park
Galashiels
TD1 3TE

Advisors:

Scheme Actuary: Government Actuary's Department
Finlaison House
15-17 Furnival Street
London
EC4A 1AB

Bankers: Paymaster (1836) Limited
Sutherland House
Russell Way
Crawley
West Sussex
RH10 1UH

Legal Advisors: Office of Solicitors for the Scottish Executive
The Scottish Executive
Victoria Quay
Edinburgh
EH6 6QQ

Auditor: Gillian Woolman
Assistant Director, Audit Services
Audit Scotland
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

Employers:

NHS staff, including General Medical and Dental Practitioners, employed by Scottish Health Boards and a whole range of smaller employers, including General Medical Practices, are eligible to join the scheme. At 31 March 2007 these made up a total of 989 employers.

Free-Standing Additional Voluntary Contributions and Stakeholder Pensions

Employees participating in the NHS Superannuation Scheme (Scotland) may make their own arrangements for making payments to institutions offering Free-Standing Additional Voluntary Contribution (FSAVC) schemes. The NHS Scheme Managers have no responsibility for such arrangements.

Standard Life is the appointed designated Stakeholder Pension Provider for the NHS in Scotland. Employers provide a facility to enable staff to contribute through payroll if they wish. No contributions are paid by employers or by the Managers of the NHS Superannuation Scheme (Scotland), nor does the Scheme have any responsibility in relation to the Stakeholder arrangements.

Changes to the Scheme

During the year two sets of amendments to regulations were made and these were:

SSI 2006 No. 307 which came into force on 30th June 2006 and which amended the principal regulations and Additional Voluntary Contributions Regulations. The changes were introduced to ensure compliance with the Finance Act 2004. Changes included the introduction of a Lifetime Allowance on pension savings, minimum pension age raised to 55 by 2010, lump sum to be paid to member before age 75, restriction of child allowances to age 23, limit on which a trivial pension can be commuted increased, members being able to pay up to 100% of salary towards AVCs (less contributions already paid to other schemes) and to be able to take up to 25% of their invested NHS AVCs as a lump sum.

SSI 2006 No. 561 which came into effect on 22 December 2006 and which amended the Superannuation Scheme Regulations and the Compensation for Premature Retirement Regulations. The changes were required in order to bring the scheme regulations in line with the EU Directive on equality in employment and vocational training and particular aspects of age discrimination. They implemented the new redundancy arrangements which were agreed following a UK Partnership review and consultation exercise.

Other changes:

Pensions were increased by 2.7 % with effect from 10 April 2006.

Forthcoming changes

Work continues on the consolidation of The National Health Service Superannuation Scheme (Scotland) Regulations 1995 and its amending Statutory Instruments.

Regulations will be made, amending the principal regulations in order to:

- introduce an improved benefits package for current scheme members, following consultation on proposals to take forward the UK Government's pension reforms;
- introduce a new pension scheme for members joining after 1 April 2008 which will be based on normal pension age of 65 but with an improved rate of accrual and other improved benefits such as partner pensions.

Other issues to be addressed in the coming year:

- a review of ill-health provisions continues;
- a review of the Injury Benefits Scheme.

Membership statistics


Details of the membership of the Scheme as at 31 March 2007 are as follows:
(The figures at 31 March 2006 are in brackets).

Active members	153,280	(152,247)
Members with Preserved Rights	57,580	(37,377)
Pensioners and dependants in payment	67,984	(67,724)
Awards of Pension (including revisions) made during the year	3,225	(3,318)
Transfers in and out of the Scheme	2,385	(2,898)
Refunds of contributions to leavers	2,675	(1,632)

Further Information

Any enquiries about the NHS Superannuation Scheme (Scotland) should be addressed to:

Ian Clapperton
Scheme Administrator
Scottish Public Pensions Agency
7 Tweedside Park
Galashiels
TD1 3TE



Neville Mackay
Accountable Officer

5 November 2007

NHS SUPERANNUATION SCHEME (SCOTLAND)

REPORT OF THE ACTUARY FOR THE ACCOUNTING YEAR ENDED 31 MARCH 2007

The report of the Actuary sets out the liabilities and accruing costs of the NHSSS for the purposes of Resource Accounting.

1. Liabilities

The capitalised value as at 31 March 2007 of expected future benefit payments under the NHSSS, for benefits accrued in respect of employment or former employment prior to 31 March 2007, has been assessed using the methodology and assumptions set out in sections 3 and 4 below. The results are as follows:

Value of Liabilities	£ bn
Pensions in Payment	14.9
Deferred Pensions	0.7
Active Members (Past Service)	6.3
Total	21.9

2. Accruing Costs

The cost of benefits accruing for each year of service is met partly by a specified contribution from members, with the balance of the cost of the benefits being met by the employers. The total cost of benefits accruing in the year 2006/07 has been assessed, using the methodology and assumptions set out in sections 3 and 4 below, as follows:

	% of Pensionable Pay
Current Service Cost	23.7%
Members' Average Contribution Rate	5.9%
Employers' share of Current Service Cost	17.8%
Actual rate charged to employers for current year	14.0%

In relation to the pensionable payroll for the financial year, the employers' actual charges in cash terms were £0.52 billion for the financial year 2006/07. The Current Service Cost disclosed in the scheme accounts was £0.88 billion.

3. Methodology

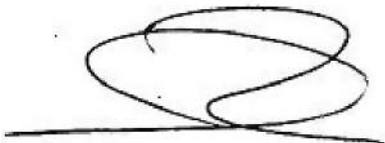
The value of liabilities has been obtained using the projected unit method with a one year control period, which allows for expected future pay increases in respect of active members. The liabilities and standard contribution rate include pension increases awarded since leaving service for pensioners and deferreds, plus allowance for future pension increases for all categories of member.

4. Assumptions

The principal financial assumptions adopted for the pension assessments made in relation to this statement are an investment return in excess of price increases of 1.8% a year (most pension benefits under the scheme are increased in line with prices), and an investment return in excess of earnings increases of 0.3% a year. The gross rate of return is assumed to be close to 4.6% a year, although this assumption has only a minor impact on the calculation of the liability. In nominal terms these assumptions are then equivalent to an allowance for increases in salaries of close to 4.3% a year and an allowance for price inflation of 2.75% a year. The demographic assumptions adopted for the assessments are derived from the specific experience of the membership of the scheme to 31 March 1999, and other similar large public service pension schemes where some aspect of the experience is not readily available. Allowance has been made for the expected impact of Agenda for Change and the dynamisation factors, which are used to revalue General Medical Practitioners' accrued benefits until 31 March 2008.

5. Notes

- (i) Sections 1 and 2 of this statement are based on an actuarial assessment carried out as at 31 March 1999 for the purposes of FRS17 (Resource Accounting), with an approximate updating for the subsequent financial years to reflect known changes that have occurred between 1 April 1999 and 31 March 2007, based on the available data. The method assumes that the profile of the membership has remained stable within the period, which may not necessarily be the case, and so the results should be viewed as an indication of the order of magnitude of the liabilities rather than a full actuarial assessment.
- (ii) The actual rate charged to employers for 2006/07 at 14.0% of pensionable pay follows the recommendations made at the 1994 funding valuation, with an additional allowance for the cost of pension increases which are now met by the scheme. The next valuation to determine funding rates is due as at 31 March 2004, the valuation as at 31 March 1999 having been signed off on 20 July 2005.
- (iii) The pension benefits taken into account in this assessment are those normally provided from the rules of the Scheme, including normal retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. The assessments do not include the cost of injury benefits or premature retirement benefits awarded on redundancy.



Ian A Boonin FIA
9 October 2007

NHS SUPERANNUATION SCHEME (SCOTLAND)

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers have directed the Accountable Officer to prepare a resource account in respect of the NHS Superannuation Scheme (Scotland) in the form and on the basis set out in the accounts direction at page 32 of these statements.

With the exception of certain transactions (which are accounted for on a cash basis) the financial statements are prepared on an accruals basis and must show a true and fair view of the financial transactions of the Scheme during the year and the disposition, at the end of the financial year, of the net liabilities. Note 2 "Accounting Policies" to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year, nor on the net liabilities at the year-end.

In preparing these financial statements, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to satisfy himself that:

- the accounts direction has been observed, including the relevant accounting and disclosure requirements, and suitable accounting policies have been selected and applied consistently;
- the financial statements have been prepared on the going concern basis, unless it is inappropriate to presume that the Scheme will continue in operation;
- reasonable and prudent judgements and estimates have been made; and
- applicable accounting standards have been followed, in accordance with the guidelines set out in the Government Financial Reporting Manual subject to any material departures disclosed in the financial statements.

The Scottish Ministers appointed the Chief Executive of the Scottish Public Pensions Agency as Accountable Officer for the Scheme. The responsibilities of Accountable Officers are described in the Memorandum to Accountable Officers from the Principal Accountable Officer published in the Scottish Public Finance Manual.

NHS SUPERANNUATION SCHEME (SCOTLAND)

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Scottish Public Finance Manual.

As Accountable Officer, I am personally answerable to the Scottish Parliament in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. I am responsible for the propriety and regularity of financial transactions under my control and for the economic, efficient and effective use of resources provided to the Agency, for ensuring that arrangements have been made to secure best value and for signing the accounts of the NHS Superannuation Scheme (Scotland). I am also responsible for providing the necessary assurances to the Principal Accountable Officer to enable him to sign the Statement on Internal Control contained within the Scottish Executive Consolidated Accounts. I have responsibility for ensuring that effective management systems are in place within the Agency and that all risks are identified, assessed and managed appropriately.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Executive and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to an acceptable level rather than to eliminate all risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The process within the organisation accords with the SPFM and with the guidance from Scottish Ministers and has been in place for the year ended 31 March 2007 and up to the date of approval of the financial statements.

Risk and Control Framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

All members of the Senior Management Team have attended training on risk awareness and the Agency's Management Board has identified the top-level risks and consolidated these into a risk register together with a determination of a control strategy for each risk. Risk management is incorporated into the business planning and decision making processes of the organisation.

The Agency's Management Board and Audit Committee have ensured that risk management and internal control are considered on a regular basis at their meetings. The Audit Committee receive regular reports from internal audit and Audit Scotland concerning internal control issues and recommendations and are notified of actions to be taken to address any issues or weaknesses identified. The Audit Committee also consider the

adequacy of arrangements, for the assessment and management of risk and adequacy of arrangements for corporate governance.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2007 and up to the signing of the accounts the organisation has:

- set stretching performance targets, including making savings under the Efficient Government Review, which cover the main areas of activity and are regularly monitored;
- reviewed monthly monitoring of expenditure against budget; and
- set up a pensions change project team in connection with the proposed changes to the pension schemes we administer.

Capacity to handle risk

The Agency has taken an approach to risk management that is appropriate to its circumstances. Everyone has a role to play in managing risk, whether this relates to specific risks within their area or risk management more generally. Managers have been trained on risk management and a register of risks is maintained as part of the corporate and area plans within SPPA.

However the resources that can be dedicated to the management of risk are finite. Indeed in order to maintain an efficient organisation, it is entirely proper that the correct perspective is taken towards risk management and that responses should be proportionate, the systems “fit for purpose” and the time spent on risk management appropriate. Key to this is the recognition that risk cannot, and in some cases should not (e.g. where it is not economically viable to do so) be eliminated. The Agency therefore has a risk appetite, but critically this is based on the regular review of risks by the Senior Management Team, External Management Board and Audit Committee and conscious decisions about the level of residual risk that can be tolerated.

Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control. My review is informed by the:

- Executive managers within the Agency who have the responsibility for the development and maintenance of the internal control framework;
- work of the internal audit team who regularly submit reports to the Audit Committee which includes the Head of Internal Audit’s independent and objective opinion on the adequacy and effectiveness of the Agency’s systems of internal control together with recommendations for improvement.
- Audit Committee overseeing the work of internal audit; and
- comments made by the external auditors in their management letters and other reports.

Appropriate action is taken to address any weaknesses identified and to ensure the continuous improvement of the system.

The Scottish Government's Internal Audit Department undertook a number of Audits during the year and in two of these and as a consequence overall in respect of the internal control framework governing the Agency's scheme expenditure, gave a limited assurance. Subsequent fieldwork has confirmed that the issues raised in these reports have been, or are being, addressed.

The Agency uses and relies on the core financial management systems of the Scottish Executive to carry out its own accounting and payment functions. I have received assurances from the Scottish Executive that reliance can be placed on the central systems they provide.

A handwritten signature in black ink, reading "Neville Mackay". The signature is written in a cursive style with a large, looped 'y' at the end.

Neville Mackay
Accountable Officer

5 November 2007

Independent Auditor's Report to the Scottish Public Pensions Agency, Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the NHS Superannuation Scheme (Scotland) for the year ended 31 March 2007 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Statement of Parliamentary Supply, Revenue Account and the Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Accountable Officer, Scottish Public Pensions Agency and Auditor

The Agency and Accountable Officer are responsible for the preparation of the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Agency's and Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. I also report whether, in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

I report whether the contributions payable to the Scheme have been paid in accordance with the Scheme rules and the recommendations of the Actuary. I also report if, in my opinion, the Report of the Scheme Managers is not consistent with the audited financial statements, if the Agency has not kept proper accounting records for the Scheme or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on Internal Control reflects the Agency's compliance with Scottish Executive guidance. I report if, in my opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the Report of the Managers and the Report of the Actuary and consider whether they are consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinions

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Financial statements

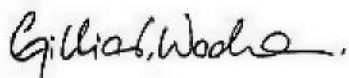
In my opinion

- the financial statements give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the directions made thereunder by the Scottish Ministers, of the state of affairs of the NHS Superannuation Scheme (Scotland) at 31 March 2007 and of the net outgoings, recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Regularity

In my opinion, in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000;
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998; and
- the contributions payable to the Scheme during the year ended 31 March 2007 have been paid in accordance with the Scheme rules and the recommendations of the Actuary.



Gillian Woolman (ACA)

Assistant Director
Audit Scotland
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

5 November 2007

NHS SUPERANNUATION SCHEME (SCOTLAND)
Statement of Parliamentary Supply

Summary of resource outturn 2006 - 07

					2006-07 £000			2005-06 £000	
ESTIMATE					OUTTURN			OUTTURN	
Request for resources	Note	Gross Expenditure	Budgeted Income	Net Total	Gross Expenditure	Income Applied	Net Total	Net total outturn compared to estimate: saving/ (excess)	Net total
Pensions and associated payments		1,785,800	(762,550)	1,023,250	1,826,219	(804,050)	1,022,169	1,081	926,755
Total Resources	3	1,785,800	(762,550)	1,023,250	1,826,219	(804,050)	1,022,169	1,081	926,755

Summary of net cash requirement 2006 - 07

					2006-07 £000			2005-06 £000	
					Note	Estimate	Outturn	Net total Outturn compared to estimate: saving/ (excess)	Restated outturn
Net cash requirement					4	0	0	0	0

Summary of income payable to/(from) the Consolidated Fund

In addition to income applied the following income relates to the scheme; cash receipts are shown in italics.

		Forecast 2006-07 £000			Outturn 2006-07 £000	
		Note	Income	Receipts	Income	Receipts
Total		5	254,350	<i>254,350</i>	294,873	<i>294,873</i>

Outturn against estimate

Net total resource outturn 2006 - 07 was within the budget act limit.

NHS SUPERANNUATION SCHEME (SCOTLAND)

REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2006-07 £000	2005-06 £000
Income			
Contributions receivable	7	(754,423)	(709,806)
Transfers in	8	(48,280)	(48,512)
Other income	9	0	0
Compensation receipts	17	(1,347)	(2,270)
		<u>(804,050)</u>	<u>(760,588)</u>
Outgoings			
Pension Costs	10	880,294	827,892
Enhancements	11	14,112	11,089
Transfers in	12	48,280	48,512
Interest on scheme liabilities	13	881,498	794,972
Financing Charge	17	0	2,608
Increase in premature retirement provision net of financing charge	17	688	0
Compensation receipts	17	1,347	2,270
		<u>1,826,219</u>	<u>1,687,343</u>
Net outgoings for the year		<u>1,022,169</u>	<u>926,755</u>

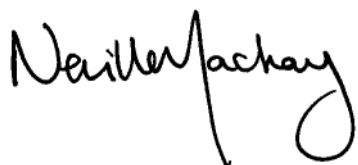
STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2007

	Note	2006-07 £000	2005-06 £000
Actuarial (gain)/losses	16.5	4,388,044	2,297,100
Recognised (gains) and losses for the financial year		<u>4,388,044</u>	<u>2,297,100</u>

NHS SUPERANNUATION SCHEME (SCOTLAND)

BALANCE SHEET AS AT 31 MARCH 2007

	Note	2007 £000	2006 £000
Current assets:			
Debtors	14	112,911	112,074
Current liabilities:			
Creditors (amount falling due within one year)	15	(24,617)	(17,238)
Net current assets excluding pension liability		88,294	94,836
Provisions for liabilities and charges:			
Premature retirement provision	17	(48,945)	(50,401)
Pension liability	16	(21,900,000)	(16,200,000)
Net liabilities		(21,860,651)	(16,155,565)
Taxpayers' equity			
General fund	18	(21,860,651)	(16,155,565)
		(21,860,651)	(16,155,565)



Neville Mackay
Accountable Officer

5 November 2007

NHS SUPERANNUATION SCHEME (SCOTLAND)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2006-07 £000	2005-06 £000
Net cash inflow from operating activities	19	294,873	216,865
Payment of amount due to the Consolidated Fund Financing		0 (294,873)	0 (216,865)
Increase /(decrease) in cash in period		0	0

NHS SUPERANNUATION SCHEME (SCOTLAND)

Notes to the scheme statement

Accounts for the year ended 31 March 2007

1. Basis of preparation of the scheme statement

The scheme statements have been prepared in accordance with a direction given by the Scottish Ministers, and the relevant provisions of the Government Financial Reporting Manual for 2006-07 issued by the Treasury, which reflect the requirements of Financial Reporting Standard (FRS) 17 Retirement Benefits. These accounts show the unfunded pension liability and movements in that liability during the year. The accounts also have regard to the governing scheme legislation, The National Health Service Superannuation Scheme (Scotland) Regulations 1995 as amended.

In addition to the primary statements prepared under UK Generally Accepted Accounting Practice for companies (UK GAAP) the Government Financial Reporting Manual also requires the scheme to prepare a Statement of Parliamentary Supply. This, and its supporting notes, show outturn against estimate in terms of the net resource requirement and the net cash requirement.

The scheme statement summarises the transactions of the NHS Superannuation Scheme (Scotland) where the Scottish Public Pensions Agency acts as principal. The balance sheet shows the deficit of the scheme. The Revenue Account shows, among other things, the movements in the liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. Actual pension benefits paid are reflected in the Balance Sheet. The actuarial position of the pension scheme is dealt with in the Report of the Actuary, and the scheme statement should be read in conjunction with that Report.

2. Statement of Accounting Policies

The accounting policies contained in the Government Financial Reporting Manual (FReM) follow UK GAAP to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy that has been 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 that are considered material in relation to the accounts.

2.1 Contributions receivable

Employers' normal contributions are accounted for on an accruals basis. There are no employers' special pension contributions.

Employees' contributions which exclude amounts paid in respect of the purchase of added years of service (see below) and Additional Voluntary Contributions are accounted for on an accruals basis. Additional Voluntary Contributions (AVCs) (Note 20) are not brought to account in this statement.

Employees contributions paid in respect of the purchase of added years are accounted for on an accruals basis. The associated increase in the scheme liability is recognised as expenditure.

2.2 Transfers in and out

Transfers in and out of the pension scheme are accounted for on a cash basis, although group transfers in and out may be accounted for on an accruals basis where the scheme has formally accepted or transferred a liability. Transfers in are normally accounted for as income and expenditure (representing the associated increase in the pension liability).

2.3 Other Income

Other income is accounted for on a cash basis. It includes refunds of Contributions Equivalent Premiums (CEP) and miscellaneous income. To the extent that this income also represents an increase in the scheme liability, it is also reflected in expenditure.

2.4 Current Service Cost

The current service cost is the increase in the present value of the schemes liabilities arising from the current members' service in the current period and is recognised in the Revenue Account. The cost is based on employers contributions received pro rated from the employer contribution rate to the scheme standard contribution rate.

2.5 Past Service Costs

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

2.6 Interest on Scheme Liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Revenue Account. The interest cost is based on a discount rate of 2.8% real (i.e. 5.37% including inflation). In practice, the interest charge is determined by applying the discount rate to the value of the scheme liabilities at the beginning of the year, and to one half of the value of the movement in the liabilities during the year (excluding the interest charge and actuarial gains and losses), based on the assumption that the increase or decrease accrues evenly during the year. The discount rate reduced to 1.8% from 31 March 2007.

2.7 Other Payments

Other payments are accounted for on an accruals basis.

2.8 Scheme Liability

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit method and is discounted at 1.8% real (i.e. 4.6% after inflation). Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions.

2.9 Pension Benefits Payable

Pension benefits payable are accounted for as a decrease in the scheme liability on an accruals basis.

2.10 Pension payments to those retiring at their normal retirement age

On retirement at normal retirement age, the member receives a lump sum and an annual pension. These transactions are accounted for as a decrease in the scheme liability on an accruals basis.

2.11 Pension payments to, and on account of, leavers before their normal retirement age

Where a member of the pension scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on a cash basis. Members with more than two years service at the point of leaving can either transfer the value of their service to another pension scheme or preserve their accrued pension for payment at age 60. These transfers are accounted for on a cash basis.

2.12 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on an accruals basis. They are funded through the normal pension contributions and are a charge on the pension provision.

2.13 Actuarial gains and losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Recognised Gains and Losses for the year.

2.14 Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the employing departments to the approved AVC providers.

2.15 Administrative fees and expenses

All costs of administering the NHS Superannuation Scheme (Scotland) are borne by the Scottish Public Pensions Agency.

2.16 Accounting arrangements for the National Health Service (Scotland) (Compensation for Premature Retirement) Scheme

Compensation for premature retirement since 1 April 1995 represents a liability on NHS employers. Prior to that date the NHS Superannuation Scheme met the cost of accrued benefits with employers meeting the cost of service enhancement. Compensation payments made after that date do not, therefore, feature in the Pension Scheme Accounts.

Compensation payments for post 1 April 1995 awards and for pre April 1995 service enhancements are, with one exception, paid by the Scottish Executive Health Department and the payments made are recovered from the employers. The one exception is where the employer capitalises the liability. For technical reasons the Health Department cannot accept responsibility for future payments and consequently capitalised receipts are transferred to the Pension Scheme which then takes on the responsibility for paying the compensation concerned.

The premature retirement provision is valued on an actuarial basis every 3 years. As the last actuarial based valuation was carried out at 31 March 2004 the liability has been valued as at 31 March 2007. The valuation is updated annually to take account of the Net Present Value (NPV) of cash flows in intervening years. The financing charge is based on a discount rate of 2.8% real (i.e. 5.37% including inflation). In practice, the financing charge is determined by applying the discount rate to the value of the early retirement liabilities at the beginning of the year, and to one-half of the value of the movement in the liabilities during the year.

2.17 Funding

The Scottish Teachers' Superannuation Scheme and the NHS Superannuation Scheme (Scotland) are part of the Scottish Executive corporate cash account, which meets scheme expenditure when required.

3. Reconciliation of net resource outturn to net outgoings

	Note	Supply Estimate £000	Outturn £000	2006-07 Outturn Compared with Estimate £000	2005-06 Outturn £000
Net resource outturn		1,023,250	1,022,169	1,081	926,755
Income not applied	5	0	0	0	0
Net outgoings		1,023,250	1,022,169	1,081	926,755

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: savings/(excess) £000
Net resource outturn	3	1,023,250	1,022,169	1,081
Accruals adjustment				
Non-cash items		(1,785,800)	(1,824,184)	38,384
Changes in working capital other than cash		0	(6,542)	6,542
Use of provisions:				
Adjustment for movement in premature retirement provision		0	1,456	(1,456)
Pensions		508,200	512,228	(4,028)
Funding to/(from) the Consolidated Fund	5	254,350	294,873	(40,523)
Net cash requirement		0	0	0

5. Analysis of income payable to/(from) the Consolidated Fund

In addition to income applied the following income relates to the scheme; cash receipts are shown in italics;

	2006-07 Forecast		2006-07 Outturn	
	Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts - income not applied	0	0	0	0
Funding to/(from) the Consolidated Fund	254,350	<i>254,350</i>	294,873	<i>294,873</i>
Total income payable to/(from) the Consolidated Fund	254,350	<i>254,350</i>	294,873	<i>294,873</i>

The cash requirement for the Scottish Teachers' Superannuation Scheme and the NHS Superannuation Scheme (Scotland) are part of the overall cash authorisations of the Scottish Administration in the Budget (Scotland) Act 2006.

6. Reconciliation of income recorded within the Revenue Account to operating income payable to the consolidated fund

	Note	2006-07 £000	2005-06 £000
Operating income		804,050	760,588
Income authorised to be applied		(804,050)	(760,588)
Operating income payable to the Consolidated Fund	5	0	0

Accrued resources for the Scottish Teachers' Superannuation Scheme and the NHS Superannuation Scheme (Scotland) are covered by one limit in the Budget (Scotland) Act 2006. In 2006-07 the accrued resources of the Scottish Teachers' Superannuation Scheme and the NHS Superannuation Scheme (Scotland) fell within that limit.

7. Pension contributions receivable

	2006-07 £000	2005-06 £000
Employers	(520,005)	(489,050)
Employees:		
Normal	(220,306)	(209,667)
Purchase of added years	(14,112)	(11,089)
	(754,423)	(709,806)

8. Pension transfers-in (see also note 12)

	2006-07 £000	2005-06 £000
Group transfers in from other schemes	(1,215)	0
Individual transfers in from other schemes	(47,065)	(48,512)
	(48,280)	(48,512)

9. Other pension income

	2006-07 £000	2005-06 £000
Miscellaneous Income	0	0
	0	0

10. Pension Cost

	2006-07 £000	2005-06 £000
Current service cost (note 16.2)	880,294	827,892
Past service costs	0	0
	880,294	827,892

11. Enhancements (see also note 16.2)

	2006-07 £000	2005-06 £000
Employees:		
Purchase of added years	14,112	11,089
	14,112	11,089

12. Transfers in (see also note 8)

	2006-07 £000	2005-06 £000
Group transfers in from other schemes	1,215	0
Individual transfers in from other schemes	47,065	48,512
	48,280	48,512

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Revenue account as expenditure as part of the movements in the provision during the year.

13. Interest on scheme liabilities (see also note 16.2)

	2006-07 £000	2005-06 £000
Interest charge for the year	881,498	794,972
	881,498	794,972

14. Debtors - contributions due in respect of pensions**14.1 Analysis by type**

	2006-07 £000	2005-06 £000
Amounts falling due within one year:		
Pension contributions due from employers	65,817	52,123
Employees' normal contributions	27,831	22,238
Employees' purchase of added years	883	508
Cash in transit	11,128	34,915
Other debtors	7,252	2,290
	112,911	112,074

14.2 Intra-government balances

	2006-07 £000	2005-06 £000
Amounts falling due within one year:		
Balances with other central government bodies	17,339	37,185
Balances with local authorities	0	0
Balances with NHS Bodies	92,192	72,776
Balances with public corporations and trading funds	0	0
Balances with bodies external to government	3,380	2,113
At 31 March	112,911	112,074

15. Creditors - amounts falling due within one year**15.1 Analysis by type**

	2006-07 £000	2005-06 £000
Amounts falling due within one year:		
Pensions	(19,272)	(16,685)
Tax due to HM Revenue and Customs	(5,332)	0
Other creditors	(13)	(553)
	(24,617)	(17,238)

15.2 Intra-government balances

	2006-07 £000	2005-06 £000
Amounts mounts falling due within one year:		
Balances with other central government bodies	(5,345)	(553)
Balances with local authorities	0	0
Balances with NHS Bodies	0	0
Balances with public corporations and trading funds	0	0
Balances with bodies external to government	(19,272)	(16,685)
At 31 March	(24,617)	(17,238)

16. Provision for pension liability

16.1.1 The NHS in Scotland Superannuation Scheme is an unfunded defined benefit scheme. An actuarial report by the Government Actuaries Department (GAD) was received for the accounting year ended 31 March 2007 updating the last full actuarial valuation carried out as at 31 March 1999, with an approximate updating for subsequent financial years to reflect known changes. The major assumptions used by the Actuary were:

	At 31 March 2007	At 31 March 2006	At 31 March 2005
Annual rate of return net of salary inflation	0.3%	1.3%	2.0%
Annual rate of return net of price increases	1.8%	2.8%	3.5%

Long-term price inflation is assumed to be 2.75% per annum. The above assumptions therefore mean that the gross rate of investment return is assumed to be about 4.6% per annum, and salary inflation close to 4.3% per annum.

16.1.2 The Agency is responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of:

- scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- income and expenditure, including details of expected bulk transfers into or out of the scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

16.1.3 Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the scheme liability, the Actuary must estimate the impact of several inherently uncertain variables into the future. These variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

16.1.4 The value of the liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries the value of the pension liability will increase or decrease. The Agency accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in notes 16.5 and 16.6. The note also discloses “experience” gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

16.1.5 The adjustment of £4.4 billion reflects the change in the discount rate from 2.8% real to 1.8% real from 31 March 2007.

16.2 Analysis of movements in scheme liability

	2006-07 £000	2005-06 £000
Scheme liability at 1 April	(16,200,000)	(12,700,000)
Change in assumed real rate of return at 1 April	0	(1,900,000)
Current service cost (note 10)	(880,294)	(827,892)
Past service cost	0	0
Interest on pension scheme liability (note 13)	(881,498)	(794,972)
	<u>(1,761,792)</u>	<u>(3,522,864)</u>
Enhancements (note 11)	(14,112)	(11,089)
Pension transfers in (note 12)	(48,280)	(48,512)
	<u>(62,392)</u>	<u>(59,601)</u>
Benefits payable (note 16.3)	480,542	444,891
Pension payments to and on account of leavers (note 16.4)	31,686	34,674
	<u>512,228</u>	<u>479,565</u>
Actuarial gain/(loss) (note 16.5)	11,956	(397,100)
Changes in assumed real rate of return at 31 March 2007	(4,400,000)	0
Scheme liability at 31 March	<u>(21,900,000)</u>	<u>(16,200,000)</u>

16.3 Analysis of benefits payable

	2006-07 £000	2005-06 £000
Pensions to retired employees	368,991	337,553
Pensions to dependents	33,651	32,264
Lump Sum Benefits	77,900	75,074
Per cash flow statement	<u>480,542</u>	<u>444,891</u>

16.4 Analysis of payments to and on account of leavers

	2006-07 £000	2005-06 £000
Refunds to members leaving service	1,206	1,157
Individual transfers to other schemes	29,735	32,840
Contribution Equivalent Premium	745	677
Per cash flow statement	31,686	34,674

16.5 Analysis of actuarial gain/(loss)

	2006-07 £000	2005-06 £000
Experience gain/(loss) arising on the scheme liabilities	11,956	(397,100)
Changes in assumptions underlying the present value of scheme liabilities	(4,400,000)	(1,900,000)
Per Statement of Recognised Gains and Losses	(4,388,044)	(2,297,100)

16.6 History of Experience gains and losses

	2006-07	2005-06	2004-05
Experience gain/(loss) arising on the scheme liabilities:			
Amount (£000)	11,956	(397,100)	(177,733)
Percentage of the present value of the scheme liabilities	0%	2%	1%
Total amount recognised in statement of total recognised gains and losses			
Amount (£000)	(4,388,044)	(2,297,100)	(177,733)
Percentage of the present value of the scheme liabilities	20%	14%	1%

17. Movement in Premature Retirement Provision

	2006-07 £000	2005-06 £000
Balance at 1 April	(50,401)	(49,330)
Compensation receipts	(1,347)	(2,270)
Compensation payments	3,491	3,807
Financing charge	0	(2,608)
Increase in premature retirement provision net of financing charge	(688)	0
Balance at 31 March	(48,945)	(50,401)
Movement in provision	1,456	(1,071)

Increase in premature retirement provision net of financing charge

The liability has been recalculated at 31 March 2007. This has resulted in an increase in premature retirement provision, net of financing charge, of £688k and a reduction in the pension liability this year of £1,456k. More detail on the premature retirement scheme are given at note 2.16.

18. General Fund

The General Fund represents the total assets less liabilities of the pension scheme, to the extent that the total is not represented by other reserves and financing items.

	2006-07 £000	2005-06 £000
Balance at 1 April	(16,155,565)	(12,714,845)
Prior Period Adjustment	0	0
Adjusted Opening Balance	(16,155,565)	(12,714,845)
Funding (to)/from the Consolidated Fund	(294,873)	(216,865)
Income not applied	0	0
Combined net outgoings	(1,022,169)	(926,755)
Actuarial gains and losses (SRGL)	(4,388,044)	(2,297,100)
Balance at 31 March	(21,860,651)	(16,155,565)

19. Reconciliation of net outgoings to operating cash flows

	2006-07 £000	2005-06 £000
Net outgoings for the year	(1,022,169)	(926,755)
(Increase)/Decrease in Debtors	(837)	(59,304)
Increase/(Decrease) in Creditors	7,379	(1,047)
Movement in premature retirement provision (note 17)	(1,456)	1,071
Increase in pension provision:		
Interest and current service cost (note 16.2)	1,761,792	1,622,864
Enhancements and transfers in (note 16.2)	62,392	59,601
Use of provisions:		
Pension liability (note 16.3)	(480,542)	(444,891)
Refunds and transfers (note 16.4)	(31,686)	(34,674)
Net cash inflow from operating activity	294,873	216,865

20. Additional Voluntary Contributions

The NHS Superannuation Scheme (Scotland) enables members to make Additional Voluntary Contributions (AVCs) to supplement retirement income or to provide life assurance cover. Contributions, deducted from salary, are paid to an approved provider and, at retirement, these and the income from their investment are used to buy an annuity. These AVCs are not brought to account in this Statement. Standard Life Assurance Company, was appointed with effect from 8 October 2001 to provide this service, as an alternative to the original provider Equitable Life. Having regard to difficulties that undermined confidence in the Scheme's original approved provider, Equitable Life are not available as a Group AVC Provider for any new investors from 1 April 2005. Existing investors are free to continue to invest with them and indeed to increase their contributions if they wish.

Equitable Life Assurance Society

NHS (Scotland) AVC Plan

		£
Value of fund at 1 April 2006		7,325,095.75
Income:		
	Contributions received	219,607.27
	Interest and bonuses/change in market value of assets	348,063.20
	Transfer Values	0.00
	Internal transfers from other policies insured by the Society	39,763.08
Less Expenditure:		
	Life assurance premiums	7,719.40
	Retirement benefits	414,476.40
	Leavers (transfers and withdrawals)	246,476.47
	Internal transfers to other policies insured by the Society	5,641.19
	Deaths	38,553.20
	Refunds	1,662.08
	Contributions received but not yet used to purchase benefit	5,099.14
Value of fund at 31 March 2007		7,212,901.42

Fund Value By Type

Fund	31 March 2007 £	31 March 2006 £
Equitable with profits	2,886,222	3,051,550
Equitable and Clerical Medical unit-linked (including Clerical Medical with-profits)	3,961,727	3,870,704
Equitable Building Society Pension Fund	364,952	402,842
Total	7,212,901	7,325,096

Standard Life

Standard Life has set up a Group Money Purchase Plan for the scheme members who have moved their AVC funds to its management and for those who are contributing to an AVC arrangement for the first time. A statement of the movements in this Plan for the period 1 April 2006 to 31 March 2007 follows.

	£
	2006 - 07
Opening net asset value at 1 April 2006	
Investments held in policies	16,470,300.99
Amount still to be paid out for claims	0.00
Total opening net asset value	16,470,300.99
Income	
Normal contributions	684,030.05
Special contributions	52,302.39
Transfer Values	215,559.16
Payment of demutualization entitlement	23,168.53
Total income	975,060.13
Expenditure	
Retirements	822,564.99
Transfer out	314,638.15
Refunds to members leaving service	0.00
Lump sums death benefits	0.00
Contributions to provide death in service benefits	443.64
Total expenditure	1,137,646.78
Changes in market value of investments	1,656,145.36
Net Assets at 31 March 2007	
Investments held in insurance policies with Standard Life	17,963,859.70
Amount still to be paid out for claims	0.00
Total net assets	17,963,859.70

The Net Assets at 31 March 2007 are greater than the value of receipts less payments reflecting increases in Stock Market values during the year.

21. Contingent liability

In the unlikely event of default by an approved provider, the Scottish Ministers will guarantee pension payments. This guarantee does not apply to members who use their accumulated AVC investment to purchase pension provision from a non-approved provider nor to members who have invested in a Free Standing AVC.

No provision has been made in these accounts in respect of the pension payments guarantee in case of default by Equitable Life Assurance Society (see note 20 above).

22. Related Party Transactions

The NHS Superannuation Scheme (Scotland) falls within the ambit of The Scottish Executive which is regarded as a related party. During the year, the Scheme has had material transactions with NHS employers and Scottish Executive departments whose employees are members of the Scheme. None of the Managers of the Scheme, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year.

23. Financial Instruments

23.1 FRS 25 Financial Instruments

FRS 25 requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the NHS Superannuation Scheme (Scotland) is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 25 mainly applies.

23.2 Liquidity risk

Resources voted by Parliament finance the NHS Superannuation Scheme (Scotland) net revenue resource requirements. The NHS Superannuation Scheme (Scotland) is not therefore exposed to significant liquidity risks.

23.3 Interest Rate risk

All of the NHS Superannuation Scheme (Scotland) financial assets and liabilities carry nil or fixed rates of interest. The Scheme is not therefore exposed to any interest rate risk.

24. Losses

During the year, losses arose in 531 cases (2005-06: 593 cases). The total loss was £10,568 (2005-06: £17,890).

25. Post Balance Sheet Events

These accounts were authorised on 5 November 2007. There are no material post balance sheet events.



NHS SUPERANNUATION SCHEME (SCOTLAND)

DIRECTION BY THE SCOTTISH MINISTERS

**in accordance with section
19(4) of the Public Finance and
Accountability (Scotland) Act 2000**

1. The Scottish Public Pensions Agency shall prepare the statement of accounts for the financial year ended 31 March 2006 and subsequent years in respect of the NHS Superannuation Scheme (Scotland) in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the state of affairs of the pension scheme at the end of the financial year and of the net outgoings and cash flows for the financial year then ended.
3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 7 June 2002 is hereby revoked.

A handwritten signature in black ink, appearing to read 'Alison Effner', written in a cursive style.

Signed by the authority of the Scottish Ministers

Dated 17 January 2006

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