

Main Estimate memorandum (2019-20) for the Cabinet Office: Royal Mail Statutory Pension Scheme

1 Overview

1.1 Objectives

The Royal Mail Statutory Pension Scheme (RMSPS) vote solely funds the RMSPS. This is an unfunded, closed, defined benefit scheme with no active members. The Scheme acts as a run off vehicle for historic liabilities, paying pension benefits earned prior to April 2012.

1.2 Spending controls

Expenditure covered by the vote is not subject to pre-set Departmental Expenditure Limit (DEL) 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 vote are largely outside the control of the scheme administrators; for example retirement rates, salary and pension increases, mortality etc.

1.3 Comparison of net spending totals sought

The table below shows how the totals sought for the pension scheme compares with last year:

Net Spending Total Amounts sought this year (Main Estimate 2019-20)		Increase/(decrease) Compared to final budget last year (Supplementary Estimates 2018-19)		Increase/(decrease) Compared to original budget last year (Main Estimates 2018-19)	
		£m	%	£m	%
Resource AME	£ 1,207.0 m	39.0	3.3	39.0	3.3
Net cash requirement	£ 1,419.0 m	9.0	0.6	19.0	1.4

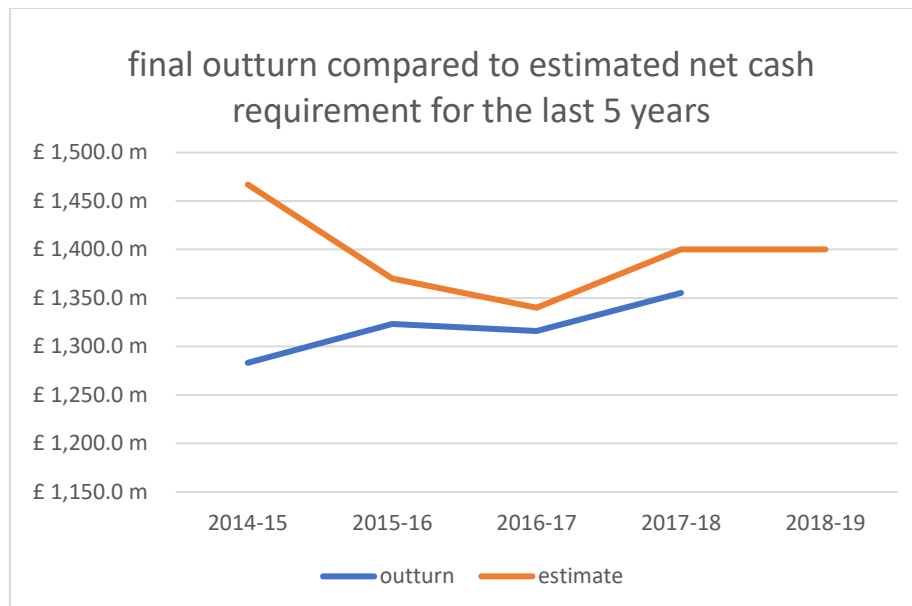
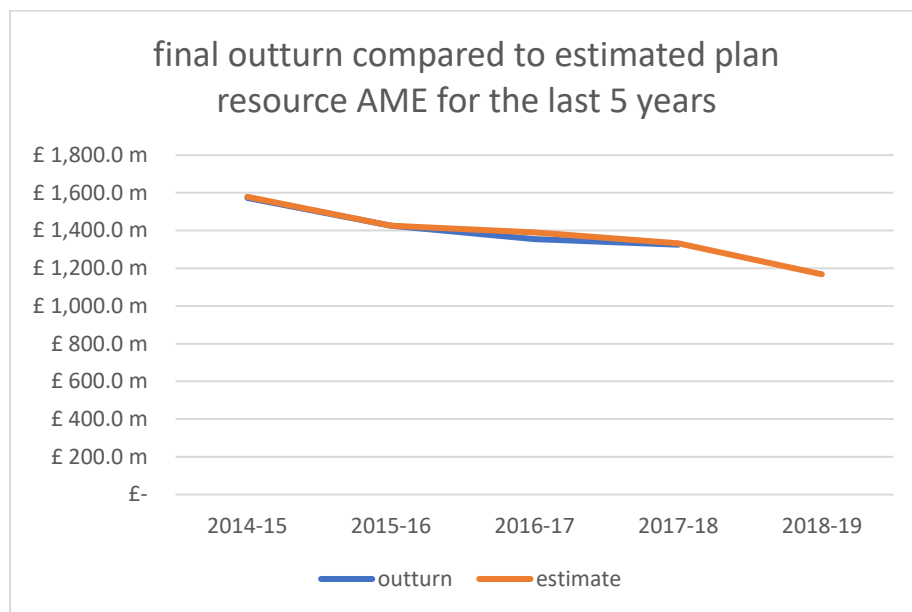
1.4 Key drivers of spending changes since last year

The resource AME comprises the interest charge arising because benefits are one year closer to payment.

The Net Cash Requirement (NCR) funds the cash payments made to pensioners and their dependants including lump sums during 2019-20.

1.5 Spending trends

The charts below show and compare the estimates for spending and actual outturn since 2014/15. As AME is re-forecast on an annual basis, there are no future plans beyond the current Estimate.



1.6 Administration costs

The administration costs of the scheme are included in the Cabinet Office's Main Estimate.

2 Spending detail

2.1 Explanations of changes in spending

The interest cost calculated by the Government Actuary's Department makes up the entirety of the resource AME, and this has increased due to a decrease in the projected pension scheme liability from 31 March 2018 to 31 March 2019, offset by an increase in the nominal discount rate.

The NCR reflects the expected benefit payments for 2019-20 and are in line with recent Office for Budget Responsibility projections.

2.2 Estimated scheme liabilities

The latest accounting valuation of scheme liabilities was £46.4 billion at 31 March 2018. At that time there were approximately 388,000 scheme 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.

A handwritten signature in black ink, appearing to read 'J. Manzoni', is written over a horizontal line.

John Manzoni

Accounting Officer

Royal Mail Statutory Pension Scheme

17 April 2019

Royal Mail Statutory Pension Scheme (RMSPS)

Introduction

1. The Estimate covers all costs and payments of pension benefits (including transfer payments for members transferring to other schemes) for the Royal Mail Statutory Pension Scheme.
2. Associated administrative costs are borne by the Cabinet Office.
3. The RMSPS is a closed scheme.

Part I

£

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	-	-	-
Capital	-	-	-
Annually Managed Expenditure			
Resource	1,207,000,000	-	1,207,000,000
Capital	-	-	-
Total Net Budget			
Resource	1,207,000,000	-	1,207,000,000
Capital	-	-	-
Non-Budget Expenditure	-		
Net cash requirement	1,419,000,000		

Amounts required in the year ending 31 March 2020 for expenditure by Royal Mail Statutory Pension Scheme on:

Annually Managed Expenditure:Expenditure arising from:

Payment of pensions etc to members of the Royal Mail Statutory Pension Scheme, related expenditure and non-cash items.

Cabinet Office will account for this Estimate.

£

	Voted Total	Allocated in Vote on Account	Balance to complete or surrender
Departmental Expenditure Limit			
Resource	-	-	-
Capital	-	-	-
Annually Managed Expenditure			
Resource	1,207,000,000	525,600,000	681,400,000
Capital	-	-	-
Non-Budget Expenditure	-	-	-
Net cash requirement	1,419,000,000	630,000,000	789,000,000

Part II: Resource to cash reconciliation

£'000

	2019-20 Plans	2018-19 Provisions	2017-18 Outturn
Net Resource Requirement	1,207,000	1,168,000	1,325,000
Net Capital Requirement	-	-	-
Accruals to cash adjustments	212,000	242,000	30,232
<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	-1,207,000	-1,168,000	-1,325,000
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	-	-	-407
Increase (-) / Decrease (+) in creditors	-	-	-2,019
Use of provisions	1,419,000	1,410,000	1,357,658
Removal of non-voted budget items	-	-	-
<i>Of which:</i>			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	1,419,000	1,410,000	1,355,232

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

	£'000		
	2019-20 Plans	2018-19 Provisions	2017-18 Outturn
Gross Programme Costs	1,207,000	1,168,000	1,325,000
<i>Of which:</i>			
Increases in liability	-	-	33,000
Interest on scheme liability	1,207,000	1,168,000	1,292,000
Other expenditure	-	-	-
<i>Less:</i>			
Contributions received	-	-	-
Transfers in	-	-	-
Other income	-	-	-
Net Programme Costs	1,207,000	1,168,000	1,325,000
Total Net Operating Costs	1,207,000	1,168,000	1,325,000
<i>Of which:</i>			
Resource DEL	-	-	-
Capital DEL	-	-	-
Resource AME	1,207,000	1,168,000	1,325,000
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	-	-	-
Grants to devolved administrations	-	-	-
Non-Budget Consolidated Fund Extra Receipts in the FCRA	-	-	-
Other adjustments	-	-	-
Total Resource Budget	1,207,000	1,168,000	1,325,000
<i>Of which:</i>			
Resource DEL	-	-	-
Resource AME	1,207,000	1,168,000	1,325,000
<i>Adjustments to include:</i>			
Grants to devolved administrations	-	-	-
Prior period adjustments	-	-	-
<i>Adjustments to remove:</i>			
Consolidated Fund Extra Receipts in the resource budget	-	-	-
Other adjustments	-	-	-
Total Resource (Estimate)	1,207,000	1,168,000	1,325,000

Part III: Note B - Analysis of Consolidated Fund Extra Receipts

No income or receipts are expected in 2019-20 or 2018-19. No income or receipts were received in 2017-18.

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

No CFER income or receipts are expected in 2019-20 or 2018-19. No CFER income or receipts were received in 2017-18.

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: John Manzoni

John Manzoni 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 (FReM), 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.