

# Estimates memorandum requirements: guidance for Pension Funds (revised January 2020)

Each Main and Supplementary Estimate put before Parliament for approval must be accompanied by an Estimates memorandum. The memorandum must be approved by the Accounting Officer of the organisation to which the Estimate relates. The Estimates memorandum should be sent to

- the relevant Select Committee of the House of Commons
- [scrutiny@parliament.uk](mailto:scrutiny@parliament.uk)

no later than the day of publication of the Estimate.

Preparers are encouraged to submit copies earlier if practicable.

Select committees will publish the memoranda on their webpages, following publication of the Estimates themselves.

HM Treasury will advise of earliest likely estimates publication dates, and any earlier deadlines internal within government for clearing memoranda before the Estimates are published.

Separate guidance and mock up examples have been produced for four different types of department/body presenting an Estimate:

- Larger departments\* (excluding Scotland, Wales and Northern Ireland Offices)
- Scotland, Wales and Northern Ireland Offices
- Smaller departments
- Pension funds

\* Larger departments, includes HMRC

“Smaller” departments includes any department or body presenting an Estimate, which is not included in the other categories.

The guidance below covers **Pension Funds** and should be looked at in conjunction with the relevant **mock up examples** which have been produced for pension funds’ Main Estimates and Supplementary Estimates.

Estimates memoranda should follow the format set out in the mock up examples, including the paragraph numbers, headings and table numbers given. The guidance below explains what to include under each of the relevant paragraphs and tables referred to in the mock up example.

## 1. Overview

## 1.1 Objectives

Explain who the pension scheme covers, whether it is defined benefit, unfunded, geographical coverage and who contributes towards it.

## 1.2 Spending controls.

Describe what affects the spending and why it falls into AME, and how AME differs from DEL.

Explain what the net cash requirement covers.

**Suggested words:** *“the XXXX pension scheme budgets are not subject to pre-set departmental Expenditure Limit (DEL) control totals; they sit within a category of spending known as Resource Annually Managed Expenditure (AME), which can be revised and reforecast regularly. This is because net expenditure and cash payments are largely outside the control of the scheme administrators on a day-to-day basis, instead being affected by factors such as membership numbers; salary levels; mortality rates; the age profile of members, and annual pension increases.”*

Explain spending limits cover eg liability increases less contributions.

- *The **Resource AME** sought under the teacher’s pension scheme Estimate is essentially the amount by which liabilities under the pension scheme are estimated to increase during the year, less the contributions paid by employers and employees towards those liabilities.*

Standard type wording on cash:

*“In addition, the **net cash requirement** represents the estimated net cash required for the year to cover payments of pensions, after taking account of estimated contributions and transfer values paid in by employees and employers. A negative value means that more is forecast to be received than paid in year.”*

## 1.3 Comparison of spending totals sought

Comparisons should be made for AME and cash totals:

- For Main Estimates: with 1) last year’s final budget (Supplementary Estimates) and 2) last year’s original budget (Main Estimate)
- For Supplementary Estimates: with 1) the original budget for the current year (Main Estimate) and 2) the final *outturn* for the year before.

## 1.4 Key drivers of spending changes since last year

Highlight any big changes that have taken place which affect spending or cash eg scheme changes or discount rates, growing or shrinking workforce, more

## 1.5 Spending trends

A line graph with data labels should be provided for Resource AME.

The time series should cover at least the previous three years, the current year, and future years covered by the latest Spending Review.

The explanation should explain the broad trends that this shows, especially large increases and decreases.

## 1.6 Administration costs and efficiency plans

Explain where administration costs of the scheme are borne (which subhead) and how they have varied since last year.

## 2 Spending detail

### 2.1 Tables

Separate tables should be provided for Resource AME, cash and any other spending total.

The tables should compare:

- For Main Estimates - the current year budget proposed with the final budget for last year (usually Supplementary Estimate)
- For Supplementary estimates- the current year revised budget proposed with the previous current year budget (Main Estimate)

Subhead detail should show the main elements within each subhead, showing income and expenditure separately.

Figures should be shown in £ million to one decimal place.

In the following circumstances, a numbered note should be included in the right- hand column. This number should relate to the explanation given beneath the table (see below):

- Where a variation is greater than both 10% and £10 million
- Where a variation is greater than both 5% and £200 million
- Changes to discount rates affecting provisions

Departments should use their discretion in including explanation of other significant movements that might not fulfil the criteria above

Explanations of variances should genuinely describe the causes or drivers of variations and their likely impacts. It is not acceptable simply to state what has happened without explanation or to describe solely how changes have been funded.

In the case of pensions funds, it is useful to outline the details of changes in the factors outlined in Section 1.2 where this is possible (e.g. membership numbers, salary levels, mortality rates, the age profile of members, annual pension increases).

### 2.2 Changes to contingent liabilities

Give details of any new or changed contingent liabilities. Mention any that now no longer apply.

### 2.3 Estimated scheme liabilities

Give headline details from the latest assessment or actuarial valuation of scheme liabilities. Give a link to the latest published valuation. Give details of number of members of scheme.

Time series information would also be useful if it is possible to provide it. If not, a series should be built up in subsequent memoranda.

### 3. Accounting Officer Approval

This section provides the official approval of the Estimate Memorandum. Suggested wording below.

*“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 Estimates Memorandum has been approved by myself as Departmental Accounting Officer.*

*[signed]*

*[Name]*

*Accounting Officer*

*[Position]*

*[Date]”*