

SCIENCE AND TECHNOLOGY ACT 1965

Account, prepared pursuant to Section 2(2) of the Science and Technology Act 1965, of the Research Councils' Pension Scheme, for the year ended 31 March 2004, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 925 of 2002-2003)

Presented pursuant to Science And Technology Act 1965, c.4, S.2(2)

Research Councils' Pension Scheme Account 2003-2004

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Foreword

Statutory background

These accounts have been prepared in accordance with the Accounts Direction dated 19 March 2004 and issued by the Secretary of State for Trade and Industry, pursuant to Section 2(2) of the Science and Technology Act 1965.

History

Following a review of the Research Councils' superannuation arrangements, the Research Councils' Pension Scheme (the New Scheme) was established from 1 April 1994, to provide a single pension scheme for members of the Biotechnology and Biological Sciences Research Council, the Engineering and Physical Sciences Research Council, the Economic and Social Research Council, the Natural Environment Research Council and the Particle Physics and Astronomy Research Council. Since 1 April 1995 the New Scheme has also included members of the Council for the Central Laboratory of the Research Councils, formerly part of the Engineering and Physical Sciences Research Council.

The New Scheme replaced the former schemes (the Old Schemes) of the Agricultural and Food Research Council (now the Biotechnology and Biological Sciences Research Council), the Economic and Social Research Council, the Natural Environment Research Council and the Science and Engineering Research Council. The Science and Engineering Research Council was dissolved on 31 March 1994 and replaced by two new Research Councils: the Engineering and Physical Sciences Research Council and the Particle Physics and Astronomy Research Council. The Old Schemes became closed to new members on 31 March 1994 and current members were transferred to the New Scheme.

On 1 October 2003, the superannuation arrangements for the Research Councils that were put in place from 1 April 1994 were replaced in order to keep in step with those of the Principal Civil Service Pension Scheme (PCS) whose arrangements also changed from that date. Under the new arrangements, current members had the choice of

- i staying in their current scheme (re-named the Classic Scheme);
- ii joining a new scheme with their existing pension entitlement converted into new scheme benefits (the Premium Scheme); or
- iii joining a new scheme for future service only with their existing pension entitlement used to provide eventual retirement benefits on a similar basis to those that existed prior to 1 October 2004 (the Classic Plus Scheme).

The main elements of the new Premium Scheme are the provision of a pension based on 1/60th of salary (versus 1/80th in the Classic Scheme) but without an automatic lump sum, a partner's pension (versus solely a widow(er)'s pension) and a member contribution rate of 3.5% (versus 1.5%).

In addition, the alternative of a Partnership Pension Account was also made available to new staff, based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contributions scheme.

The Classic and Classic Plus Schemes became closed to new members from 30 September 2004.

For the sake of brevity, all Schemes existing from 1 April 1994 are described as New Schemes in these Accounts.

Principal activities

These accounts describe the movement during the year in the total liabilities carried by the pension schemes for current Members in Service and existing (retired) Members under both the Old and New Schemes. This form of reporting was introduced from 1 April 2003 to fully comply with the disclosure requirements of UK Financial Reporting Standard (FRS) 17 Retirement Benefits.

The pension schemes' benefits* are by analogy to the Principal Civil Service Pension Scheme (PCSPS), except that in the case of the New Scheme redundancy and injury benefits are outside the scope of the scheme and are provided under separate staff agreements funded and accounted for by the respective employing Council. The pension schemes provide retirement and related benefits to all eligible employees based on individual final emoluments.

The schemes* are operated on a pay-as-you-go basis and principally funded by employers' contributions from member Research Councils. Costs of operating the Schemes are also partially funded by grant-in-aid from Request for Resources 2 (RfR2) received through the Research Councils' sponsoring body, the Department of Trade and Industry. Other income results mainly from members' contributions.

* With the exception of the Partnership Pension Account.

The Chief Executive of the Biotechnology and Biological Sciences Research Council has been appointed Accounting Officer for the Research Councils' Pension Schemes Account, with responsibility for administering the schemes' finances. Scheme administration is carried out by the Research Councils' Joint Superannuation Service (JSS).

Results for the Year

Income for the year totalled £57.1 million. Funding from employers' contributions amounted to £21.1 million and grant-in-aid from the Office of Science and Technology amounted to £29.7 million. Income from members' contributions was £6.1 million. Expenditure for the year totalled £42.7 million of which £42.0 million was Current Service Cost and £0.7 million was Administration Costs; the result was an Operating Gain for the year of £14.4 million. Interest Cost of £71.0 million resulted in an overall deficit for the year of £56.6 million. A further Actuarial Loss of £132.0 million increased the Total Recognised Losses for the year to £188.6 million. At 31 March 2004, Losses on Reserves were £162.1 million and Accumulated Revenue Account deficit £1,224.7 million. The total net amounts paid out against the Provision for Pension Liabilities were £56.1 million, of which Benefit Payouts were £57.2 million and transfers across the schemes were a net £1.1 million transfer in.

Pension scheme membership

	31 March 2004 No.	31 March 2003 No.
New schemes		
Current members in service	8,049	8,308
Pensions in payment	2,172	1,870
Early retirements	473	446
Preserved pensions	3,898	3,609
Total	14,592	14,233
Old schemes		
Pensions in payment	5,558	5,552
Annual compensation payments	93	141
Preserved pensions	2,775	2,888
Total	8,426	8,581
Grand total	23,018	22,814

	31 March 2004 No.	31 March 2003 No.
Members in service at 1 April	8,308	8,393
Adjustment resulting from changes notified in current year	54	(22)
Adjusted figure for 1 April	8,362	8,371
New members in year	734	772
Leavers and retirements in year	(1,047)	(835)
Members in service at 31 March	8,049	8,308

The Membership in Service at 31 March 2004 was made up of 5,899 members of the Classic Scheme, 464 members of the Classic Plus Scheme and 1,686 members of the Premium Scheme. There were additionally 36 employees holding Partnership Pension Accounts at 31 March 2004.

Financial development of the scheme

There have been no changes to the scheme during the year.

Events since the end of the financial year

There have been no events since 31 March 2004 that affect these accounts.

Actuaries

The Government Actuary's Department are the appointed actuaries for the Research Councils' Pension Schemes.

Banks

Banking services for the Pension Schemes are provided by Paymaster, HM Paymaster General's Office and Barclays Bank plc.

Auditors

The accounts of the Research Councils' Pension Schemes are audited by the Comptroller and Auditor General in accordance with paragraph 3(3) of Schedule 1 to the Science and Technology Act 1965.

Enquiries

Any enquiries concerning the operation of the Research Councils' Pension Schemes should be addressed to the Research Councils' Joint Superannuation Service, Polaris House, North Star Avenue, Swindon, SN2 1UY.

Professor Julia M Goodfellow
Chief Executive BBSRC
Accounting Officer

12 July 2004

Statement of the Biotechnology and Biological Sciences Research Council and Chief Executive's Responsibilities

Under paragraph 3 of Schedule 1 to the Science and Technology Act 1965, the Research Councils are required to prepare statements of accounts in the form and on the basis determined by the Secretary of State for Trade and Industry, with the consent of the Treasury. The accounts of the Research Councils' Pension Schemes are prepared on an accruals basis and must show a true and fair view of the net assets of the Schemes at the year-end and of their financial transactions during the financial year. The Biotechnology and Biological Sciences Research Council have been directed to prepare the accounts of the Research Councils' Pension Schemes.

In preparing the accounts the Council are required to

- observe the accounts direction issued by the Secretary of State for Trade and Industry, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Pension Schemes will continue in operation.

The Accounting Officer for the Department of Trade and Industry has designated the Chief Executive of the Biotechnology and Biological Sciences Research Council as the Accounting Officer for the Research Councils' Pension Schemes. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in 'Government Accounting'.

Statement by Chief Executive on Internal Control

Scope of responsibility

As BBSRC's Accounting Officer designated as such by the DTI Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Research Councils' Pension Schemes' policies, aims and objectives whilst safeguarding the public funds and Research Councils' Pension Schemes' assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Combined Management Statement and Financial Memorandum agreed with OST.

The Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve 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 and prioritise the risks to the achievement of BBSRC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and realising their impact only then, and to manage them efficiently, effectively and economically. By extension, this process will include the principal risks that may apply to the Research Councils' Pension Schemes. The system of internal control has been in place in the Research Councils' Pension Schemes for the year ended 31 March 2004 and up to the date of approval of the annual accounts, and accords with Treasury guidance

The risk and control framework

Risk management and internal control are considered on a regular basis during the year by the Research Councils' Pensions Schemes Management Board which is comprised of representatives of all research councils participating in the Schemes. A risk inventory for the Research Councils' Pension Scheme has been prepared and considered by the Management Board during the year. Appropriate controls and actions have been taken in respect of these risks.

Audit Committee regularly reviews the Council's risk management framework and reports to Council on any issues of concern.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and the executive managers within the Research Councils' Pensions Schemes and the research councils who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Research Councils' Pensions Schemes Management Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

Professor Julia M Goodfellow,
Chief Executive and Accounting Officer of BBSRC

12 July 2004

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 9 to 14 under the Science and Technology Act 1965. The financial statements have been prepared in accordance with the accounting policies set out on page 12.

Respective responsibilities of the Biotechnology and Biological Sciences Research Council, the Chief Executive and Auditor.

As described on page 5 the Biotechnology and Biological Sciences Research Council and Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Biotechnology and Biological Sciences Research Council and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing professions' ethical guidance.

I report my opinions as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Science and Technology Act 1965 and directions made there under by the Secretary of State for Trade and Industry and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them and on whether the contributions payable to the Research Councils' Pension Schemes have been paid in accordance with the Schemes' rules or with the contracts under which they are payable. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Biotechnology and Biological Sciences Research Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 6 reflects the Biotechnology and Biological Science Research Council's compliance with Treasury's guidance on the 'Statement on Internal Control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinions

I conducted my audit in accordance with the United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Biotechnology and Biological Sciences Research Council and Chief Executive in the preparation of the financial statements, and whether the accounting policies are appropriate to the Research Councils' Pension Schemes' 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 error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In my opinion

- the financial statements give a true and fair view of the net liabilities of the Research Councils' Pension Schemes as at 31 March 2004 and of their financial transactions for the year then ended and have been properly prepared in accordance with the Science and Technology Act 1965 and with directions made there under by the Secretary of State for Trade and Industry; and
in all material respects
- the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and
- the contributions payable to the Schemes during the year ended 31 March 2004 have been paid in accordance with Schemes' rules or with the contracts under which they are payable.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

16 July 2004

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London SW1W 9SP

Revenue Account for the year ended 31 March 2004

		2003-2004	2002-2003 (as restated)
	Notes	£000	£000
Income			
Grant-in-Aid	2	29,740	28,450
Employers' contributions	3	21,146	20,321
Members' contributions		6,080	4,814
Other receipts		91	140
Total		57,057	53,725
Expenditure			
Increase in scheme liabilities from Current service cost	7	42,000	
		42,000	59,000
Other expenditure			
Administration costs	4	599	562
Amounts payable to the Office of Science and Technology		39	34
Total		(42,638)	(59,596)
Operating gain/(deficit) for the year		14,419	(5,871)
Other finance costs			
Interest cost	7	(71,000)	(66,000)
Deficit for the year		(56,581)	(71,871)
Deficit brought forward		(1,168,097)	(1,096,226)
Deficit carried forward		(1,224,678)	(1,168,097)

All activities are regarded as continuing.

The notes at pages 12 to 14 form part of these accounts.

Statement of Net Liabilities at 31 March 2004

	Notes	2003-2004 £000	2002-2003 (as restated) £000
Current assets and liabilities			
Debtors	5	477	441
Cash at bank and in hand		<u>1,078</u>	<u>4,485</u>
		1,555	4,926
Less: creditors falling due within one year	6	<u>(315)</u>	<u>(4,051)</u>
Net current assets		<u>1,240</u>	<u>875</u>
Provision for pension liabilities	7	(1,388,000)	(1,199,000)
Total assets less liabilities		<u>(1,386,760)</u>	<u>(1,198,125)</u>
Deficit financed by			
Losses on reserves	7	(162,082)	(30,028)
Accumulated revenue account		<u>(1,224,678)</u>	<u>(1,168,097)</u>
		<u>(1,386,760)</u>	<u>(1,198,125)</u>

Professor Julia M Goodfellow
Chief Executive BBSRC
Accounting Officer

12 July 2004

The notes at Pages 12 to 14 form part of these accounts

Statement of Total Recognised Gains and Losses for the year ended 31 March 2004

	2003-2004	2002-2003 (as restated)
	Note	£000
Deficit for the year		(71,871)
<i>Losses on reserves</i>		
Actuarial loss		
Actual return less expected return on pension scheme assets		0
Experience losses arising on scheme liabilities		(35,000)
Changes in assumptions underlying the present value of the schemes liabilities		0
Actuarial reconciliation adjustments	7(b)	4,972
Total recognised losses for the year ended 31 March 2004		(188,635)

Cash Flow Statement for the year ended 31 March 2004

	2003-2004	2002-2003 (as restated)
	£000	£000
Reconciliation of operating gain/(deficit) to net cash (outflow)/inflow from operating activities		
Operating gain/(deficit) for year	14,419	(5,871)
Current service cost	42,000	59,000
Transfers in/out	1,148	92
Application of provision	(57,202)	(53,120)
Increase in debtors	(36)	(17)
(Decrease)/increase in creditors	(3,736)	295
Net cash (outflow)/inflow from operating activities	(3,407)	379
Net cash (outflow)/inflow from operating activities	(3,407)	379
(Decrease)/increase in cash	(3,407)	379

The Notes at pages 12 to 14 form part of these accounts

Notes to the Accounts

1 Accounting policies

a Basis of accounting

The accounts are prepared on an accruals basis and notwithstanding the fact that the Research Councils' Pension Schemes are unfunded and operate on a pay-as-you-go basis, they follow the format prescribed by the Statement of Recommended Practice, Financial Reports of Pension Schemes, in so far as it is applicable to the Research Councils' Pension Schemes.

The accounts summarise the transactions and net assets of the Research Councils' Pension Schemes including the obligations to pay pensions and benefits which fall due after the Schemes' year-end.

b Early retirement lump sums

Early retirement lump sums are recovered from the respective employing Research Council at the time of payment to the leaver. The non-enhanced preserved portion of the lump sum is repaid by the Pension Schemes' account to the respective Council when the recipient reaches Scheme retirement age.

2 Grant-In-Aid

Grant-in-Aid is provided from Department of Trade and Industry Request for Resources 2 to the Biotechnology and Biological Sciences Research Council as the Council with responsibility for administering the schemes' finances. The allocation for 2003-2004 was £29,740,000 all of which was drawn down by the Research Councils' Pension Schemes.

3 Employers' contributions

	2003-2004	2002-2003
	£000	£000
Total contributions	21,146	20,321

Employers' contributions were paid by each participating Council at the rate of 10.1% from 1 April 1999 on the advice of the Government Actuary's Department.

4 Administration costs

	2003-2004	2002-2003
	£000	£000
Total running costs	490	606
Less offsetting receipts	(30)	(176)
Net running costs	460	430
Pensioner payroll agency fees	113	107
Auditors' remuneration	25	24
Other	1	1
	599	562

Administration costs include £Nil (£101,000) incurred in the implementation of the replacement pension schemes as described in the Foreword.

5 Debtors

	2003-2004	2002-2003
	£000	£000
Total	477	441

Debtors consist mainly of Employers' and Members' contributions, which are receivable by the Scheme in the normal course of operation. All were paid to the Scheme in April 2004.

6 Creditors

	2003-2004	2002-2003
	£000	£000
Total	(315)	(4,051)

Creditors consist of Inland Revenue and accruals payable by the Scheme in the normal course of operation.

7 Provision for pension liabilities

	2003-2004	2002-2003
	£000	(as restated) £000
Balance at 1 April 2003	1,199,000	<u>1,097,000</u>
Benefit payments (a)	57,202	
	(57,202)	(53,120)
Transfer values in	4,687	3,780
Transfer values out	(3,539)	(3,688)
	1,148	92
Current service cost provided in year	42,000	59,000
Past service costs	0	0
Enhancements	0	0
Other finance cost: interest cost	71,000	66,000
Actuarial loss	142,000	35,000
Actuarial reconciliation adjustments (b)	(9,946)	(4,972)
Balance at 31 March 2004	<u>1,388,000</u>	<u>1,199,000</u>

a Benefit payments analysed by scheme

New schemes		
Pensions	(16,425)	(13,802)
Retirement lump sums net of recoveries	(7,281)	(6,198)
Death benefits	(719)	(316)
Refunds of contributions	(187)	(171)
State scheme premiums	(76)	(124)
Other payments	0	(5)
	(24,688)	(20,616)
Old Schemes:		
Pensions and annual compensation payments	(32,009)	(32,001)
Retirement lump sums	(424)	(427)
Death benefits	(56)	(43)
Refunds of contributions	(25)	(22)
Other payments	0	(11)
	(32,514)	(32,504)
Total benefit payments	<u>(57,202)</u>	<u>(53,120)</u>

Note Early Retirement Lump Sum Recoveries now netted off with Lump Sum Payments

7 Provision for pension liabilities continued**b Actuarial reconciliation adjustments**

	£000	£000
1 Applied to provisions not income		
Transfer values In	(4,687)	(3,780)
2 Applied to Benefit payments not Income		
ERLS Recoveries	(4,803)	(1,305)
3 GAD rounding benefit payments	(456)	113
Total	(9,946)	(4,972)

8 Related party transactions

The Research Councils are Non-Departmental Public Bodies sponsored by the Office of Science and Technology (OST) within the Department of Trade and Industry (DTI).

The OST/DTI are regarded as related parties. During the period 1 April 2003 to 31 March 2004 the Research Councils' Pension Schemes had various material transactions with the OST/DTI and with other entities for which the OST/DTI is regarded as the parent Department. (These were the Biotechnology and Biological Sciences Research Council, the Engineering and Physical Sciences Research Council, the Economic and Social Research Council, the Natural Environment Research Council, the Particle Physics and Astronomy Research Council and the Council for the Central Laboratory of the Research Councils).

During the year none of the senior and other key management staff, or other related parties, has undertaken any material transactions with the Research Councils' Pension Schemes.

9 Additional voluntary contributions

Members in service are entitled to make additional voluntary contributions (AVCs) under contracts between the employee and Scottish Widows, Equitable Life Assurance Society and Standard Life to secure additional pension benefits on a money purchase basis. Participating members each receive an annual statement of their contributions and investments directly from their AVC provider. The AVC arrangements are by analogy to those of the Principal Civil Service Pension Scheme. Employee contributions are paid directly by the participating Research Council and accordingly contributions and AVC investments are not included in these accounts.

10 Restatement of accounts

To comply with HM Treasury's requirement that these Accounts report results according to Financial Reporting Standard 17 Retirement Benefits, a number of the financial statements have been restated or added, together with appropriate Notes. The financial statements affected are the Revenue Account, the Statement of Net Liabilities, the Cash Flow Statement and the Statement of Recognised Gains and Losses. The additional Note is Note 7 Provision for Pension Liabilities.

Actuary's Report

During 1997-1998 the Government Actuary's Department (GAD) carried out an assessment of the position of the pension schemes based on data at 31 March 1997 in order to provide a formal valuation and to advise the rates of employers' contributions that should apply from 1 April 1999. The estimated value of liabilities to pay members' benefits up to 1 April 1997, when allowance was made for anticipated future inflation and earnings' growth, was £842 million. The actuarial valuation of the fund of notional assets was assessed, as at 31 March 1997, at £979 million, resulting in a notional surplus of £137 million.

GAD recommended, accordingly, that the employers' standard rate of contributions should be reduced from 15.6% to 10.1% of pensionable pay with effect from 1 April 1999. The Research Councils agreed to implement this rate from this date.

GAD also recommended the effective date for their next review be no later than 31 March 2000 and that pending the results of that review, employers' contributions after 1 April 2000 should continue to be paid at 10.1% of pensionable pay.

Following the change in the scheme arrangements from 1 October 2002, it was agreed with GAD that the effective date for GAD's next review will be 1 April 2002. GAD issued a draft report based on this data to Research Councils on 25 May 2004.

Additional Disclosures Required Under Financial Reporting Standard (FRS) 17 Retirement Benefits

- 1 The scheme is a defined benefit scheme and provides retirement and related benefits based on final salary;
- 2 The most recent actuarial valuation described in the Actuary's Report above and on which the amounts in the financial statements are based was published on 17 September 1998. The next actuarial valuation is expected to be carried out in 2003-2004;
- 3 The contribution made in respect of the accounting period by employers, employees and Grant-in-aid is described in the Income and Expenditure Account; the agreed contribution rate by employers for future years is as stated in the Actuary's Report above;
- 4 Information is not available to state whether for closed schemes (Old Schemes) and for active membership (Current Members in Service) in the New Schemes that the age profile is rising significantly and, if this were the case, that the projected unit method (of valuation) would mean the current service cost (the increase in the present value of the Schemes' liabilities expected to arise from employee service in the current period) will increase as the members of the Schemes approach retirement;
- 5 The value of the Schemes' liabilities at 31 March 1997 is as described in the Actuary's report above and was made up of (i) Active Members £415 million (ii) Deferred pensioners £88million and (iii) Pensioners £339 million; the present value of the Schemes' liabilities at 31 March 2004 was assessed by GAD at £1,388 million; and
- 6 The main financial assumptions made by GAD in preparing the valuation at 31 March 1997 were: a rate of price inflation of 4.8% per annum; a rate of earnings increases of 6.4% per annum; a rate used to discount the scheme liabilities of 3.5% per annum; a rate of increase for pensions in payment and deferred pensions in line with increases in Retail Price Index of 2.7% per annum.

Appendix: Biotechnology and Biological Sciences Research Council, Research Councils' Pension Scheme Accounts Direction

The Secretary of State for Trade and Industry, with the approval of the Treasury, in accordance with section 2(2) of the Science and Technology Act 1965 hereby gives the following direction.

The Biotechnology and Biological Sciences Research Council (BBSRC) shall prepare statements of account in respect of the pension schemes of the Research Councils for the financial year ended 31 March 2004 and in respect of any subsequent financial year consisting of

- A report of the Scheme Manager;
- A report of the Scheme Actuary;
- A Statement of the Accounting Officers' responsibilities (to be signed by the Accounting Officer);
- A statement on internal control.
- The Certificate of the Comptroller and Auditor General
- A Revenue Account;
- A Statement of Recognised Gains and Losses;
- A balance sheet (to be signed by the Accounting Officer and dated);
- A cash flow statement; and
- Notes explaining and amplifying the information in the financial schedules above.

The statement of accounts shall give a true and fair view of the financial transactions and cash flows for the year and of the financial position as at the year-end.

Subject to the foregoing requirement, the statement shall

have regard to the recommendations of the Statement of Recommended Practice Financial Reports of Pension Schemes (notwithstanding that the pension schemes of the Research Councils are un-funded and operate on a pay-as-you-go basis);

- have regard to the requirements of Financial Reporting Standard (FRS) 17 Retirement Benefits as adapted for the public sector;
- have regard to the guidance on Chapter 15 and Annex 7 of the Resource Accounting Manual (RAM) issued by the Treasury, notwithstanding that the RAM applies to resource accounts (as defined in section of the Government Resources and Accounts Act 2000); and
- meet any disclosure and accounting requirements which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view, insofar as they are appropriate to the accounts of the pension schemes of the Research Councils and are in force for the financial period for which the statement of accounts is to be prepared.

Additional and more detailed disclosure requirements are set out in the schedule to this direction.

The detailed layout of the accounts shall be agreed with the Office of Science and Technology.

Signed on behalf of the Secretary of State for Trade and Industry

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