

Bath & North East Somerset Council

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| MEETING: | AVON PENSION FUND COMMITTEE | |
| MEETING DATE: | 22 JUNE 2012 | AGENDA ITEM NUMBER |
| TITLE: | DRAFT STATEMENT OF ACCOUNTS FOR 2011 / 2012 | |
| WARD: | ALL | |
| AN OPEN PUBLIC ITEM | | |
| List of attachments to this report: | | |
| Appendix 1 Draft Statement of Accounts for the year to 31 March 2012 | | |

1. THE ISSUE

1.1. The Draft Statement of Accounts for the Avon Pension Fund for the year to 31 March 2012 is attached as **Appendix 1**.

Note: This is the latest draft available at the time of publishing these papers. The final draft will be tabled at the meeting with any changes hi-lighted. No substantive changes to the figures are expected to be made. Some disclosures are still being prepared.

1.2. The Draft Statement of Accounts for the year to 31 March 2012 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts are now subject to external audit.

1.3. In accordance with the Accounts and Audit (England) Regulations 2011 the Draft Statement of Accounts for the year to 31 March 2012 must be signed off by the Council's Section 151 Officer by the 30 June and the Final Statement of Accounts will be presented to the Corporate Audit Committee at its meeting on 27 September 2011.

1.4. The Pension Fund Committee will be asked to approve The Final Statement of Accounts at its September meeting.

2. RECOMMENDATION

That the Committee notes

2.1. the Draft Statement of Accounts for the year to 31 March 2012 for audit.

3. FINANCIAL IMPLICATIONS

3.1. There is a requirement that the Avon Pension Fund Statement of Accounts are included in the Council's accounts and presented to the Corporate Audit Committee.

4. COMMENT ON THE DRAFT FINAL ACCOUNTS

4.1. The accounts show an increase in the total net assets of the Fund from just under £2.7bn to just under £2.8bn. This increase was almost entirely due to the rise in market value of investments and to a lesser extent to receipts of investment income and the excess of contributions received over benefits paid.

4.2. The hi-lights of the Draft Final accounts are:

- a) Total net assets of the fund are valued at £2,766m made up of investment assets of £2,757m and net debtors and creditors of £9m.
- b) The £9m of net debtors at 31 March 2012 is mainly made up of contributions that relate to the year to 31 March 2012 but were not due for payment until April 2012.
- c) Following the 2010 valuation Employer's contributions have been split between normal contributions in regard to current service and deficit contributions in regard to past service. 2011/12 is the first year that these have been separated. Taken together the employer's normal and deficit contributions fell by £0.5m compared with the previous year. This reflects the changes made as a result of the 2010 valuation and the savings made in salaries by employers through changes in staff.
- d) The increase in benefits paid reflects inflation and the increased number of retired members.
- e) The increase in Investment Income is due to the underlying growth in dividends, a large increase in income generated by Schroder UK Property portfolio and the fact that the Schroder Global Equity portfolio is managed on a segregated basis whereas the assets were previously invested in pooled funds that did not distribute income.
- f) The increase in Investment Management expenses reflects the increase in investment management fees due to the rise in asset values, and inclusion of two new mandates, the Global Equity Fund and Currency Hedging.
- g) In accordance with International Financial Reporting Standards (International Accounting Standard 26) the draft Statement of Accounts includes a statement prepared by the Fund's actuary disclosing the actuarial present value of promised retirement benefits. The Actuary has used the Corporate Bond based discount rate of 4.9% p.a. (versus 5.5% p.a. at 31 March 2011). This and a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.) have resulted in an increase in the Fund's liabilities for the purposes of IAS26 of about £135 million.

5. RISK MANAGEMENT

5.1. A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6. EQUALITIES

6.1. An equalities impact assessment is not necessary.

7. CONSULTATION

7.1. N/a

8. ISSUES TO CONSIDER IN REACHING THE DECISION

8.1. Are contained in the report.

9. ADVICE SOUGHT

9.1. The Council's Monitoring Officer and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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| Background papers | Various Accounting Records |
| Please contact the report author if you need to access this report in an alternative format | |