

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	24 JUNE 2016	AGENDA ITEM NUMBER
TITLE:	DRAFT STATEMENT OF ACCOUNTS FOR 2015 / 2016	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
<b>Appendix 1 Draft Statement of Accounts for the year to 31 March 2016</b>		

### 1. THE ISSUE

The Draft Statement of Accounts for the Avon Pension Fund for the year to 31 March 2016 is attached as **Appendix 1**.

1.1. The Draft Statement of Accounts for the year to 31 March 2016 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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.

1.2. In accordance with the Accounts and Audit (England) Regulations 2011 the Draft Statement of Accounts for the year to 31 March 2016 must be signed off by the Council's Section 151 Officer by the 30 June. The Final Statement of Accounts will be presented to the Corporate Audit Committee at its meeting on 27th September 2016 as the Audit Committee is charged with the governance of the pension fund. The Pension Fund Committee will be asked to approve The Final Statement of Accounts at its meeting on 23 September 2016.

### 2. RECOMMENDATION

**That the Committee notes**

**2.1 The Draft Statement of Accounts for the year to 31 March 2016 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 STATEMENT OF ACCOUNTS**

- 4.1. The financial accounts reflect a gradually maturing pension fund, with total Benefit payments tending to rise as total contributions fall. As a result the Fund is becoming cash flow negative. This is reflected in the Fund Account as described in points 4.3 c) and d) below. This underlying structural shift from cash flow positive to negative requires greater focus on cash management, both in the long term when considering investment strategy over 5-10 years and in the short term to ensure income or proceeds from selling assets are used efficiently. The Fund's cash flow position for the next three years will become clearer after the completion of the 2016 Valuation following which there will be a strategic investment review.
- 4.2. The accounts show a decrease in the total net assets of the Fund from just over £3.8bn to just over £3.7bn. This decrease was almost entirely due to the fall in market value of investments.
- 4.3. The highlights of the Draft Final accounts are:
- a) Total net assets of the fund are valued at £3,736m made up of investment assets of £3,742m less net Current Assets of (£5.6m).
  - b) Contributions receivable were abnormally high in 2014/15 due to several payments of three years deficit recovery contributions in advance. The subsequent absence of these deficit recovery payments in 2015/16 has made the contributions for the year lower than they would otherwise have been.
  - c) The absence of some deficit recovery contributions as described above has also resulted in the "Net Additions from dealings with members" figure being a negative £15.8m. Without the advance deficit recovery payments being made in 2014/15 this would have been closer to zero, with contributions offsetting the cost of benefits paid.
  - d) The reduction in Benefits Payable when compared to 2014/15 is due to an abnormally high level of lump sum payments in 2014/15 as a result of Bristol City Council's redundancy exercise. Excluding the effect of lump sums the level of Benefits Payable would have shown an increase over the 2014/15 level.
  - e) Payments to and on account of leavers includes £2.5m in respect of the group transfer out of former employees of the Probation Service to Greater Manchester Pension Fund.
  - f) Investment Income as reported in the Fund Account is reduced from the 2014/15 level. However the Investment Income figures do not include the income from pooled funds that accumulate income within the fund rather than distribute to investors.
  - g) The Net Asset Statement shows the Fund holding over £209m in cash deposits as at 31 March 2016. This includes £135m that was in the process of being transferred to the infrastructure manager for investing on 1 April 2016.
  - h) The £7.7m of debtors included in the Current Assets at 31 March 2016 is mainly made up of contributions that relate to the year to 31 March 2016 but

were not due for payment until April 2016. This is lower than the equivalent figure at 31 March 2015 due to the payment of some April 2016 monthly contributions earlier than required.

- i) Current liabilities as at 31 March 2015 included £4.5m owed to Bristol City Council as a refund of overpaid contributions. The refund was paid in 2015/16. The rise in current liabilities, excluding the Bristol City Council refund liability, is mainly due to the increased provision for accumulated Investment Manager performance fees. These fees have been accrued but are subject to phased payments or are not payable until the related assets are realised. These performance fees remain subject to possible variation as a result of future performance.

## **6. RISK MANAGEMENT**

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

## **7. EQUALITIES**

- 7.1 An equalities impact assessment is not necessary.

## **8. CONSULTATION**

- 8.1 N/a

## **9. ISSUES TO CONSIDER IN REACHING THE DECISION**

- 9.1 Are contained in the report.

## **10. ADVICE SOUGHT**

- 10.1 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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<b>Background papers</b>	Various Accounting Records
<b>Please contact the report author if you need to access this report in an alternative format</b>	