

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	22 JUNE 2018	AGENDA ITEM NUMBER
TITLE:	DRAFT STATEMENT OF ACCOUNTS FOR 2017 / 2018	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 Draft Statement of Accounts for the year to 31 March 2018		

1. THE ISSUE

- 1.1. The Draft Statement of Accounts for the Avon Pension Fund for the year to 31 March 2018 is attached as **Appendix 1**.
- 1.2. This has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 2015 the Draft Statement of Accounts for the year to 31 March 2018 was signed off by the Council's Section 151 Officer by the 31 May. It is a further requirement that the audit of the Statement of Accounts must be completed by 31 July. The audited Statement of Accounts will be presented to the Corporate Audit Committee at its meeting on 30th July 2018 as the Audit Committee is charged with the governance of the pension fund. Any material changes to The Statement of Accounts following the audit will be reported to The Pension Fund Committee at its meeting on September 21st.

2. RECOMMENDATION

That the Committee notes

- 2.1 **The Draft Statement of Accounts for the year to 31 March 2018 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.

4. COMMENT ON THE DRAFT STATEMENT OF ACCOUNTS

4.1. The accounts show an increase in the total net assets of the Fund from just over £4.3bn to just over £4.6bn. This increase was almost entirely due to the rise in the market value of investments.

4.2. The highlights of the Draft Final accounts are:

- a) Total net assets of the fund are valued at £4,601m made up of investment assets of £4,608m less net Current Assets of (£7.382m). This is an increase of £254m over the 31 March 2017 value of £4,354m. The increase is the result of increased investment asset values and to a smaller extent the receipt of advanced payment three year deficit contributions and the excess of investment income over management expenses.
- b) Contributions receivable were £78.4m higher than in 2016/17 due to the receipt of advanced payment three year deficit contributions in April 2017, following the 2016 triennial valuation. This was partly offset by a fall in the amount of Augmentation contributions paid by employers on early retirements. The value of Transfers In increased by £5.7m partly due to a few very large individual transfers. There were no group transfers In during the year.
- c) In the Fund Account "Net Additions from dealings with members" has changed from a negative figure of (£39.7m) in 2016/17 to a positive £36.0m in 2017/18. This is mainly as a result of the advance deficit recovery payments paid in April 2017, following the 2016 valuation.
- d) The increase in Benefits Payable when compared to 2016/17 reflects the increased number of retired members.
- e) Payments to and on account of leavers increased by £3.2m partly due to a few very large individual transfers. There were no group transfers Out during the year.
- f) Investment Income as reported in the Fund Account has reduced from the 2016/17 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 and Note 10 reflect the implementation of the Liability Driven Investment Strategy designed to hedge changes in the value of the pension liabilities. They also show the use of equity options to protect the Fund from falls in equity markets ahead of the 2019 actuarial valuation.
- h) The Net Asset Statement and Note 10 show the Fund holding £204m in cash deposits as at 31 March 2018. This is an increase from £68m in 2016/17. The high level of cash held is largely due to:-
 - the appreciation of sterling increasing the value of currency contracts, a proportion of which are settled in cash each month.
 - the maturing of the overseas property portfolio resulting in more distributions than capital calls.

The cash will be deployed for investing in Secured Income and Infrastructure over the next few quarters.

- i) The Shareholding in Brunel Pensions Partnership Ltd is included in the Net Asset Statement at cost in accordance with an approach agreed by the ten participating Funds following consultation.
- j) The £11.9m of debtors included in the Current Assets at 31 March 2018 is mainly made up of contributions that relate to the year to 31 March 2018 but were not due for payment until April 2018.
- k) Current liabilities as at 31st March 2018 include a provision for fees that 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. The increase in this provision each year is due to the long deferment of actual payment. This increase is partly offset by the payment of fees from the provision and by any reductions in the amount of fees due that may occur as a result of subsequent performance.
- l) Management Expenses (detailed in Note 7) are £1.9m more than in 2016/17 mainly due to the rise in investment asset values leading to increased Investment Management fees. Investment Transaction Costs are charged as part of Fund manager Base Fees, but in accordance with CIPFA recommended practice Transaction Costs are disclosed separately when they can be identified. The possibility of separately identifying these costs varies from one year to the next. Consequently Fund Manager Base fees and Investment Transaction Costs cannot reliably be compared from one year to the next. For year on year comparison Fund Manager Base fees and Investment Transaction Costs should be taken together.

Within Administration Costs, the cost of Service from Administering Body has increased from £346k to £473k mainly as a result of the transfer of the Financial Systems team from the Pension Fund to the Council for operational efficiency. A consequence is that their costs are recharged to the Fund from the Council as opposed to being direct costs (mainly salaries) to the Fund.

Fees and Income have increased from (£198k) to (£424k) largely as a result of a £235k rebate from the Brunel Pensions Partnership.

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 have had the opportunity to input to this report and have cleared it for publication.

Contact person	Martin Phillips Finance & Systems Manager (Pensions)) Tel: 01225 395259.
Background papers	Various Accounting Records
Please contact the report author if you need to access this report in an alternative format	