

Pension fund adjustments

Page	Statement/Note	Description	£m A&G	£m change	£m adjusted
161	14 a. Classification of financial instruments	Cash - loans and receivables	33.7	5.5	39.2
161	14 a. Classification of financial instruments	Current assets - loans and receivables	19.0	-5.5	13.5
170	15. Interest rate risk	Cash balances	6.6	5.5	12.1
170	15. Interest rate risk	Total	393.5	5.5	399.0
171	15. Interest rate risk sensitivity analysis	Cash balances - carrying amount as at 31 March 2018	6.6	5.5	12.1
171	15. Interest rate risk sensitivity analysis	Total change in assets available - carrying amount as at 31 March 2018	393.5	5.5	399.0
171	15. Interest rate risk sensitivity analysis	Cash balances - +100 BPS	6.7	5.5	12.2
171	15. Interest rate risk sensitivity analysis	Total change in assets available - +100 BPS	397.4	5.5	402.9
171	15. Interest rate risk sensitivity analysis	Cash balances - -100 BPS	6.5	5.5	12.0
171	15. Interest rate risk sensitivity analysis	Total change in assets available - -100 BPS	389.5	5.5	395.0
174	15. Credit risk	Barclays Bank PLC	6.6	5.5	12.1
174	15. Credit risk	Total	33.7	5.5	39.2
175	16. Current assets	Cash balances	6.6	5.5	12.1
175	16. Current assets	Other debtors	10.1	-5.5	4.6
176	19. Analysis of debtors and creditors	Analysis of debtors - Other local authorities	6.2	-0.1	6.1
176	19. Analysis of debtors and creditors	Analysis of debtors - Other entities and individuals	11.6	-5.4	6.2
176	19. Analysis of debtors and creditors	Total	20.2	-5.5	14.7
178	21. Contingent liabilities	Capital commitments (investments)	267.6	-7.2	260.4

Note 14: Financial Instruments

Note 14 a: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	Designated as fair value through profit and loss 31 March 2017	Loans and receivables 31 March 2017	Financial liabilities at amortised cost 31 March 2017	Designated as fair value through profit and loss 31 March 2018	Loans and receivables 31 March 2018	Financial liabilities at amortised cost 31 March 2018
	£m	£m	£m	£m	£m	£m
Financial assets						
Other share capital	0.0					1.9
Fixed interest securities	130.7			359.8		
Equities	676.2			752.5		
Pooled investment vehicles	1,437.6			1,292.0		
Pooled property investments	101.5			128.5		
Pooled Infrastructure investments	98.6			96.1		
Derivatives - Futures	0.1			54.7		
Derivatives - Forward FX	1.2			1.8		
Cash		25.2			39.2	
Other investment Balances	7.5			7.2		
Current assets		9.2			13.5	
Non-current assets		1.4			1.8	
	2,453.4	35.8	0.0	2,692.6	54.5	1.9

Interest rate risk analysis

The fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Value as at 31 March 2017	Value as at 31 March 2018
	£m	£m
Cash and cash equivalents	22.4	27.1
Cash balances	2.8	12.1
Fixed interest securities	130.7	359.8
Total	155.9	399.0

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The Council's treasury management adviser, Link Asset Services, has advised that medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits as at 31 March 2018 of a +/- 100 Basis Points (BPS) change in interest rates:

Carrying amount as at 31 March 2018

Change in year in the net assets available to pay benefits

Asset Type

	£m	+ 100 BPS £m	- 100 BPS £m
Cash and cash equivalents	27.1	27.3	26.8
Cash balances	12.1	12.2	12.0
Fixed interest securities	359.8	363.4	356.2
Total change in assets available	399.0	402.9	395.0

A 1% increase in interest rates will not affect the interest received on fixed income but will reduce their fair value and vice versa. Changes in interest rates do not impact the value of cash deposits / cash and cash equivalent balances but they will have a small effect on the interest income received on those balances. Charges to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

The fund's cash holding at 31 March 2018 was £33.7million (31 March 2017: £25.2million). This was held with the following institutions:

Summary	Rating	Balances as at	
		March 2017	31 March 2018
		£m	£m
Money market funds			
BNY Mellon Sterling Liquidity Fund	AAA	0.2	2.7
BNY Mellon US Dollar Liquid Fund	AAA	4.5	3.2
BNY Mellon US Dollar	AAA	0.0	0.0
JPM liq-ster Liquidity-x	AAA	2.3	0.8
JPM liq-USD Liquidity-XDI	AAA	1.7	1.1
Bank deposit accounts			
The Bank of New York Mellon	A-1+	13.7	19.3
Bank current accounts			
Barclays Bank PLC	A-1	2.8	12.1
Total		25.2	39.2

Liquidity Risk

Market liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or to meet the financial obligations of the Fund as they fall due. The Fund's investment managers purchase quoted and tradable securities. Equities held are listed on major world stock markets and managers employed are highly experienced in equity trading. The liquidity risk relating to the bond holdings is monitored and managed by the bond manager on an on-going basis. The Council also takes steps to ensure that the pension fund has adequate cash resources to meet commitments.

Note 16: Current assets

	2016/17	2017/18
	£m	£m
Contributions due from employer in respect of:		
Employer	5.0	5.5
Members	1.8	2.1
Magistrates Courts Bulk Transfer Payment Due	0.7	0.4
Augmentation	1.2	0.9
Cash balances	2.8	12.1
Other Debtors	0.5	4.6
	12.0	25.6

Other debtors have increased due mainly to cash outstanding from fund managers that has been received early in 2018/19

Note 17: Non-current assets

	2016/17	2017/18
	£m	£m
Magistrates Courts Bulk Transfer Payment Due	1.3	0.8
*LGPS Central Capital Advance treated as loan	0.0	0.7
Augmentation	0.1	0.3
	1.4	1.8

*This was part of the regulatory capital required to set up the company LGPS Central which is detailed in the foreword

Note 18: Current liabilities

	2016/17	2017/18
	£m	£m
Investment management expenses	(1.3)	(7.0)
Payroll and external vendors	(1.5)	(5.1)
Other expenses	(0.4)	(3.7)
	(3.2)	(15.8)

Increase due to outstanding fund manager fees and Fund manager draw down for Walton Street and outstanding pension payments

Note 19: Analysis of debtors and creditors

Analysis of debtors

	31 March 2017	31 March 2018
	£m	£m
Central government bodies	2.0	2.4
Other local authorities	5.6	6.1
Other entities and individuals	3.0	6.2
	10.6	14.7

Analysis of creditors

	31 March 2017	31 March 2018
	£m	£m
Central government bodies	(1.3)	(0.2)
Other local authorities	(1.5)	(6.9)
Other entities and individuals	(0.4)	(8.7)
	(3.2)	(15.8)

Key Management Personnel

The posts of Chief Financial Officer, Senior Finance Manager and HR Service Centre Manager are deemed to be key management personnel with regards to the Pension Fund. The financial value of their relationship with the fund (in accordance with IAS24) is set out below:

	2016/17	2017/18
	£000	£000
Short term benefits*	46	33
Long term/ post-retirement benefits**	364	418
	410	451

*This is the pension's element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions

**This is the accrued pension benefits, expressed as cash equivalent transfer value.

Governance

The Pensions Committee Employer Representative, Employee Representative and Chief Financial Officer are active members of the Fund.

Note 21. Contingent liabilities

Outstanding capital commitments (investments) at 31 March 2018 totalled £260.4 million (31 March 2017: £31.7 million).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Pooled Property Investments and Pooled Infrastructure investments part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between one and three years from the date of the original commitment.