

Summary of changes

SUMMARY OF CHANGES - MAGENTA PENSION SCHEME: ILLUSTRATIVE PENSION SCHEME STATEMENT

Changes published December 2012:

Statement/ note	Change	Reason
CSoCNE	Terminology updates	Compliance with revised IAS 19
CSoCF	Terminology updates	Compliance with revised IAS 19
Note 2	Indication that Schemes need to include details of changes to IAS 19 that are applicable to it	Revision of IAS 19
Note 10	Terminology updates	Compliance with revised IAS 19
Note 14	Terminology updates	Compliance with revised IAS 19
Note 20	Terminology updates	Compliance with revised IAS 19
Note 20.3	Requirement to include a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period	Compliance with revised IAS 19

Changes published December 2013:

Statement/ note	Change	Reason
Primary statements	<u>Rename consolidated statements to combined statements</u>	Correction
All _____	<u>Re-ordering of Notes to create a Parliamentary Accountability section distinct from IFRS-based reporting requirements</u>	To improve the reporting layout
<u>SoPS Note 1</u>	<u>SoPS accounting policy notes created</u>	To improve the reporting layout
<u>SoPS Note 4</u>	<u>References to stock, debtors and creditors changed to inventories, receivables and payables</u>	To improve consistency of terminology
<u>SoPS Note 5</u>	<u>Rows renamed</u>	To reflect amounts paid to the Consolidated Fund which don't arise from operating income
<u>CSoCiTE</u>	<u>Two options for presentation provided depending on whether the statement is being restated</u>	To improve the reporting layout
<u>CSoCF</u>	<u>Rows renamed and overall number reduced</u>	To improve the reporting layout
<u>Note 9</u>	<u>Text change to accompanying narrative</u>	To simplify narrative
<u>Note 12</u>	<u>Row added for settlements</u>	To improve the reporting layout
<u>Notes 16.5, 16.6, 16.7</u>	<u>Totals re-named</u>	To improve the reporting layout
<u>Note 21</u>	<u>Change reporting thresholds from £250,000 to £300,000</u>	To reflect changes to Managing Public Money
All	<u>Note references updated to reflect changes to the SoPS' notes and deletion of duplicated notes</u>	For internal consistency

Key: CSoFP - Consolidated Combined Statement of Financial Position

| CSoCNE - ~~Consolidated~~Combined Statement of Comprehensive Net
Expenditure

| CSoCF - ~~Consolidated~~Combined Statement of Cash Flows

| CSoCiTE - ~~Consolidated~~Combined Statement of Changes in Taxpayers
Equity

2013–14 Magenta Pension Scheme: illustrative pension scheme statement

1. The illustrative resource accounts for the fictitious “Magenta” Pension Scheme consist of:

- a. Report of the Managers;
- b. Report of the Actuary;
- c. Statement of the Accounting Officer’s Responsibilities;
- d. Governance Statement
- e. Certificate and Report of the Auditor
- a. Statement of Parliamentary Supply;
- b [Combined] Statement of Comprehensive Net Expenditure (*);
- c.[Combined] Statement of Financial Position (*);
- d. [Combined] Statement of Changes in Taxpayers’ Equity
- e. [Combined] Statement of Cash Flows (*);
- f. Notes to the accounts.

* these statements will be “combined” if they reflect transactions relating to both pensions and early departure costs (see paragraph 3 below)

2. The accounts are for illustration only and should only be followed as the circumstances of an individual pension scheme dictate. The accounts do not show every line item which may be necessary in the circumstances of an individual scheme, but they do show the main headings and line items which most schemes would be expected to include.

Preparers should assess whether disclosures are relevant and material and tailor disclosures accordingly. ~~Where the headings are not appropriate they do not need to be disclosed.~~

3. As noted in ~~Chapter 12 of the FReM~~, the accounts of pension schemes may include transactions relating to early departure costs (also known as compensation payments) payable under a compensation scheme. In this example, the accounts combine the transactions of the Magenta Pension Scheme and the Violet Compensation Scheme. The latter is considered to act as an agent and hence recognises liabilities to the former employees or amounts due from employees only to the extent that these represent year-end timing differences. Nevertheless, the scheme statements reflect transactions relating to a now-discontinued arrangement whereby part of the liability to former employees was met from central funding and was not wholly recharged to employers. Different accounting arrangements will apply if the Scheme acts as a principal, or if different pre-funding arrangements apply.

4. ~~Text is provided in certain notes. Pension scheme statements should use this text in their notes where the relevant circumstances apply.~~

Report of the Managers

The Report of the Managers should include information under the following headings, to the extent that they are relevant and not included elsewhere in the Foreword, for example in the Governance Statement. Additional information may be given if this will aid understanding of the Scheme. Similar information should be provided if there is a separate Compensation Scheme.

Background to the Scheme

- Statutory basis for the Scheme
- Eligibility to join the Scheme
- Main features of the Scheme, including benefits and how they are funded
- Management of the Scheme
- Organisations responsible for managing the Scheme
- Corporate governance of the Scheme, including management team
- Arrangements governing determination of contribution rates and benefits

Key developments in year:

- Changes in contributions
- Changes in benefits
- Membership statistics (movement in year)
- Financial position at 31 March 2014, significant features of results for year
- Events after the reporting period [\[reference to Note 29\]](#)
- Issues arising for 2013-14

Information for Members:

- Supplementary information available to members
- Information about FSAVCs and Stakeholder Pensions
- The names and addresses of the Scheme's (or Schemes'):
 - Accounting Officer;
 - managers or administrators;
 - actuary;
 - bankers;
 - legal advisers;
 - auditors; and
 - employers (this may be given in categories of employer, rather than by individual employer).
- Contact for enquiries

Report of the Actuary

The Scheme's Actuary will be responsible for preparing this section of the Financial Statements. The content is likely to include:

- Introduction
- Membership data
- Methodology for determining key financial information, such as Scheme liabilities
- Financial assumptions underpinning the financial statements
- Demographic assumptions
- Details of liabilities and current service costs

Statement of the Accounting Officer's Responsibilities

Drafting note: This draft illustrative Statement assumes that the Accounting Officer for the Pension Scheme is the same person as for the Compensation Scheme. If this is not the case, appropriate responsibilities will need to be clarified in the Statement. See also Annex 1 of the FReM.

Under the [name of the relevant Act], the [name of relevant authority]/[Secretary of State with the consent of the relevant authority] has directed the [name of the pension scheme] to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

In the following paragraph Schemes will need to insert the terms of the Accounts Direction they are subject to. The text provided below is based on a Scheme funded by the UK Parliament.

The combined financial statements must give a true and fair view of the state of affairs of the [combined] scheme at the year end and of the net resource outturn and cash flows for the year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

In preparing the financial statements, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the accounts direction issued by [the name of the relevant authority as above] 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, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The [relevant authority] has appointed the [Permanent Head of the Department] as Accounting Officer for the [name of the pension scheme]. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Pension Scheme are set out in [name of guidance] published by the [relevant authority].

Governance Statement

Certificate and Report of the Auditor

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 201X-1Y

	SoPS Note							201X-1Y	201W-1X
		Estimate			Outturn			£000	£000
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Outturn Total
Departmental Expenditure Limit									
- Resource	<u>2.1</u>								
- Capital	<u>2.2</u>								
Annually Managed Expenditure									
- Resource	<u>2.14</u>								
- Capital	<u>2.2</u>								
Total Budget									
Non-Budget¹									
- Resource	<u>2.14</u>								
Total									

[No non-budgeted resources are expected for unfunded pension scheme - include as required]

Total Resource								
Total Capital								
Total								

¹*[No non-budgeted resources are expected for unfunded pension schemes - include entry as required.]*

Net Cash Requirement 201X-1Y

SoPS Note	201X-1Y	201X-1Y		201W-1X
	£000	Outturn	Outturn compared with Estimate: saving/ (excess)	£000
	Estimate			Outturn
4				

Administration Costs 201X-1Y

201X-1Y	201X-1Y	201W-1X
£000	£000	£000
Estimate	Outturn	Outturn

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

Explanations of variances between Estimate and outturn are given in SoPS Note 2 and in the Management Commentary.

Where the Scheme has an Excess Vote for one of the reasons given in 'Managing Public Money' or 'Government Accounting Northern Ireland' (as appropriate) the Scheme should insert this note here:

~~Explanations of variances between Estimate and outturn are given in Note 3 and in the Management Commentary~~

The Scheme has incurred an Excess of [insert amount]£000 because [insert reason]-25 The Scheme will seek Parliamentary approval by way of an Excess Vote in the next Appropriation Act [Budget Act in Northern Ireland].

All Schemes must insert this note here:

~~Explanations of variances between Estimate and outturn are given in Note 3 and in the Management Commentary~~

Where the ~~pension~~ Scheme has a reportable Prior Period Adjustment, the ~~department~~ Scheme should insert this note here:

Prior Period Adjustments (PPAs) that have resulted from an error in previous recording or from a change in accounting policy initiated by the department or which is otherwise the result of pension scheme action have a potential impact on net budgets. It is proper for the department to seek parliamentary authority for the provision that should have been sought previously. In 201X-1Y, the following such PPAs have been made, which have been included within voted Supply in the Estimate:

PPA Description	Resource/ Capital	DEL/AME	Amount/ £000

Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

SOPS1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 201X-1Y Government Financial Reporting Manual (FReM) issued by [insert name of issuing authority]. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 201X-1Y Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the department's outturn as recorded in the SoPS compared to the IFRS-based SoCNE is provided in SoPS note 3.2

Departments should include the following notes where material and tailor them to the department's circumstances. Departments should provide additional details of other transactions accounted for differently between the Statement of Parliamentary Supply and IFRS-based accounts.

SOPS 1.aa PFI and other Service Concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment.

SOPS1.ab Capital Grants

Grant expenditure used for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.

SOPS1.ac Equity Withdrawals

Dividends received from investments will typically be recorded as resource income in IFRS-based accounts, but they may be recorded as capital equity withdrawals (repayment of capital from a investee to the department) in the Statement of Parliamentary Supply where the dividend is greater than the investee profits for the current reporting period and previous two periods.

SOPS1.ad Prior Period Adjustments (PPAs)

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.

SOPS1.ae Receipts in excess of HM Treasury agreement

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

SOPS1.af Provisions - Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply was differ from that reported in the IFRS-based accounts.

SOPS2.2 *Analysis of net capital outturn by section*

						201X-201Y	201W-201X
						£000	£000
	<u>Outturn</u>			<u>Estimate</u>		<u>Outturn</u>	
	<u>Gross</u>	<u>Income</u>	<u>Net</u>	<u>Net</u>	<u>Net total compared with Estimate</u>	<u>Net total compared to Estimate, adjusted for virements</u>	<u>Net</u>
<u>Spending in Departmental Expenditure Limit</u>							
<u>Voted:</u>							
A							
B							
C							
<u>Non-voted</u>							
D							
E							
F							
<u>Annually Managed Expenditure</u>							
<u>Voted</u>							
G							
H							
I							
<u>Non-voted</u>							
J							
K							
L							
<u>Total</u>							

Departments should provide a brief explanation of the reasons for variances between the Estimate and outturn, cross referenced to the Management Commentary in the Annual Report.

SOPS3. Reconciliation of outturn to net expenditure and against Administration Budget

SOPS3.1 Reconciliation of net resource outturn to net expenditure

		<u>201X-1Y</u> <u>£000</u>	<u>201W-1X</u> <u>£000</u>
	<u>SoPS</u> <u>Note</u>	<u>Outturn</u>	<u>Outturn</u>
Total resource outturn in Statement of Parliamentary Supply	2.1		
Income payable to the Consolidated Fund	5		
Other (provide details)			
Combined net expenditure/income in Statement of Comprehensive Net Expenditure		-	-

An explanation should be provided of any reconciling items. This note is not required if the total resource outturn in the SoPS is the same as net operating costs in the CSoCNE.

SOPS3.2 Outturn against final Administration Budget

	<u>201X-1Y</u> <u>£000</u>	<u>201W-1X</u> <u>£000</u>
Estimate - Administration costs limit		
Outturn - Gross administration costs		
Outturn - Gross income relating to administration costs		
Outturn - Net administration costs	-	-
Reconciliation to operating costs:		
Less: provisions utilised (transfer from programme)		
Less: other		
Administration net operating costs	-	-

This note is not required if the Scheme does not have an administration budget in the SoPS.

SOPS4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	<u>Estimate</u>	<u>Outturn</u>	<u>Net total outturn compared with Estimate: saving/(excess)</u>
<u>SoPS Note</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Resource Outturn			
<u>2.1</u>			
Capital Outturn			
<u>2.2</u>			
Accruals to cash adjustments:			
<i>Adjustments to remove non-cash items:</i>			
Depreciation			
New provisions and adjustments to previous provisions			
Prior period adjustments			
Other non-cash items			
<i>Adjustments to reflect movements in working balances:</i>			
Increase/(decrease) in receivables			
Increase/(decrease) in payables			
Use of provisions			
Removal of non-voted budget items:			
Consolidated Fund Standing Services			
Other adjustments			
Net cash requirement			

SOPS5. Analysis of income payable to the Consolidated Fund

In addition to income retained by the Scheme, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

	<u>Outturn 201X-1Y</u>		<u>Outturn 201W-1X</u>	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	<u>Income</u>	<u>Receipts</u>	<u>Income</u>	<u>Receipts</u>
Income outside the ambit of the Estimate				
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total amount payable to the Consolidated Fund	-	-	-	-

This note is not required if the Scheme does not income payable to the Consolidated Fund.

Consolidated Combined Statement of Comprehensive Net Expenditure

Drafting note: This example is based on the premise that the Violet Compensation Scheme operates on an agency basis. Chapter 12 of the FReM gives further information and also provides guidance on the accounting treatment to be followed in cases where the compensation scheme acts as a principal.

for the Year to 31 March 201Y

	Note	201X-1Y £000	201W-1X £000
Principal Arrangements – Magenta Pension Scheme			
Income			
Contributions receivable	73		
Transfers in	84		
Other pension income	95		
Expenditure			
Service cost	106		
Enhancements	117		
Transfers in	128		
Injury benefits	139		
Pension financing cost	1410		
Other interest payable (included for completeness)			
Administration expenses (included for completeness)			
Net (expenditure)/income			
Agency Arrangements - Violet Compensation Scheme			
Benefits payable	1511		
Net expenditure			
Combined net (expenditure)/income			
Other comprehensive net expenditure			
Pension re-measurements:			
- Actuarial (gain)/(loss)			
- Actuarial (gain) loss			
- Other re-measurements			
Total comprehensive net (expenditure)/income			

Consolidated Combined Statement of Financial Position

as at 31 March 201Y

	Note	201Y £000	201X £000
Principal arrangements - Magenta Pension Scheme			
Current assets:			
Receivables	4713		
Cash and cash equivalents	1448		
Total current assets			
Current liabilities:			
Payables (within 12 months)	4915		
Total current liabilities			
Net current assets/(liabilities), excluding pension liability			
Pension liability	2016		
Net liabilities, including pension liabilities			
Agency arrangements - Violet Compensation Scheme			
Receivables	2117		
Payables (within 12 months)	2218		
Net current assets/(liabilities)			
Payables (after 12 months)	2218		
Provisions for liabilities and charges	2319		
Net assets/(-liabilities)			
Combined schemes - Total net assets/(liabilities)			
Taxpayers' equity:			
General fund			

Signed:

Accounting Officer

Date: [Date]

Consolidated Combined Statement of Cash Flows

for the year ended 31 March 201Y

		201X-1Y	201W-1X
	Note	£000	£000
Cash flows from operating activities			
Net (expenditure)/income for the year			
Adjustments for non-cash transactions			
(Increase)/Decrease in receivables - principal arrangements			
(Increase)/decrease in receivables - agency arrangements <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Increase/(Decrease) decrease in payables: - pensions			
Increase/(decrease) in payables - Short-term other payables <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Movement in pension liability Increase/(decrease) in pension provision – service and finance costs	2016.4		
Movement in pension liability – enhancements and transfers in	20.4		
Movement in pension liability – benefits paid	20.5		
Movement in pension liability – refunds and transfers	20.6		
Movement in pension liability – death in service	20.6		
Use of provisions – central funding arrangements	2319		
		-	-
Net cash outflow from operating activities			
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year			
From the Consolidated Fund (Supply) – prior year			
From the Consolidated Fund (non-Supply)			
Net Parliamentary financing			
Adjustments for payments and receipts not related to Supply			
Compensation agency payments made on behalf of employers			
Reimbursement of compensation payments made by employers			
Injury benefit payments made on behalf of employers			
Reimbursement of injury benefit payments made by employers			
Lump sum payments made on behalf of employers			
Reimbursement of lump sum payments made on behalf of employers			
Net financing			
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities			
Payments of amounts due to the Consolidated Fund			
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			

Cash and cash equivalents at the beginning of the period	<u>4814</u>		
Cash and cash equivalents at the end of the period	<u>1448</u>		

Magenta Pension Scheme – Financial Statements 201X-1Y

Notes to the Financial Statements

1. Basis of preparation of the Scheme financial statements

The financial statements of the [combined] Scheme have been prepared in accordance with the relevant provisions of the 201X-1Y Government Financial Reporting Manual (FReM) issued by [insert name of issuing authority]. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 Employee Benefits and IAS 26 Accounting and Reporting by Retirement Benefit Plans are of particular relevance to these statements.

In addition to the primary statements prepared under International Financial Reporting Standards, the FReM also requires the Scheme to prepare an additional statement – a Statement of Parliamentary Supply. This [statement](#), and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 *Magenta Pension Scheme*

The Magenta Pension Scheme is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the [name of entity] on behalf of members of the [name of group] who satisfy the membership criteria.

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by [governing body]. The contributions partially fund payments made by the Scheme, the balance of funding being provided by [Parliament/[the Northern Ireland Assembly](#)] through the annual Supply Estimates process]. The administrative expenses associated with the operation of the Scheme are borne by [name of entity] and reported in [the entity's financial statements].

The financial statements of the Scheme show the financial position of the Magenta Pension Scheme at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

The financial statements also have regard to [whatever other legislation governs the particular accounts under review].

1.2 *Violet Compensation Scheme – agency arrangements*

~~*Drafting note: This note will need to be amended if the scheme acts as a principal in respect of early departure costs (or compensation payments) as the scheme statements will need to reflect the scheme's obligations to the former employees and amounts recoverable from employers.*~~

The Violet Compensation Scheme acts as an agent for employers in the payment of compensation payments arising under the Scheme. Compensation payments are generally recovered from employers on a monthly basis. The financial flows associated with these transactions are not brought into account in the financial statements. However, the financial statements recognise the liabilities arising from the central funding of compensation payments which amount to ~~some~~ £[A]000m (201W-1X: £[a]m000) (see note [1923](#)) and any amounts that have been pre-funded or prepaid by employers £[B]000m (201W-1X: £[b]000) (see note [2218](#)).

2. Statement of accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate in the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme financial statements.

2.1 *Accounting convention*

These accounts have been prepared under the historical cost convention.

A description of the accounting policies for all material items should then follow. Headings might include:

- Contributions receivable
- Transfers in and out
- Income received from departments in respect of enhancements
- Other income
- Current service cost
- Past service cost
- Interest on Scheme liabilities
- Other expenditure
- Scheme liability
- Pension benefits payable
- Pension payments to those retiring at their normal retirement age
- Pension payments to and on account of leavers before their normal retirement age
- Injury benefits
- Lump sums payable on death in service
- Actuarial gains and losses
- Additional voluntary contributions
- Compensation benefits payable
- Central funding of compensation payments ~~{(if relevant)}~~
- Pre-funding arrangements for compensation payments
- Administration expenses
-

~~Departments Schemes~~ should also give any details of material changes in estimation techniques. These could be given as part of the relevant accounting policy note (but clearly flagged) or in a separate note

2.2X -Impending application of newly issued accounting standards not yet effective

Where material to the financial statements, the Scheme must disclose that it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have.

Changes to International Financial Reporting Standards

Include details of any changes, including revisions to IAS 19 that are applicable to the Scheme.

2.3 Changes to the FRoM

Include details of any changes.

3. Net outturn

3.1 Analysis of net resource outturn by section

3.2 Analysis of net capital outturn by section

4. Reconciliation of outturn to net expenditure and against Administration Budget

4.1 Reconciliation of net resource outturn to net expenditure

Income payable to the Consolidated Fund
Other (provide details)

			201X-1Y £000	201W-1X £000
		Note	Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget			
	Non-Budget		-	-
Net Resource Outturn			-	-
Add:	Non-supply Expenditure			
	Prior-Period Adjustments		-	-
Less:	Income payable to the Consolidated Fund			
	Prior-Period Adjustments		-	-
Net Expenditure in Consolidated Statement of Comprehensive Net Expenditure			-	-

An explanation should be provided of any adjustments made.

4.2 Outturn against final Administration Budget

5. Reconciliation of Net Resource Outturn to Net Cash Requirement**6. Analysis of income payable to the Consolidated Fund**

In addition to appropriations in aid, the following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts being shown in italics)

73. Contributions receivable

	201X-1Y £000	201W-1X £000
Employers		
Employees:		
Normal		
Purchase of added years		

£[x] million contributions are expected to be payable to the Scheme in 201Y-1Z.

84. Transfers in

	201X-1Y £000	201W-1X £000
Group transfers in from other schemes		
Individual transfers in from other schemes		

95. Other pension income

	201X-1Y £000	201W-1X £000
Refunds of gratuities received		
Amounts receivable in respect of:		
Bringing forward the payment of accrued superannuation lump sums		
Capitalised cost of enhancement to pensions payable on departure		
Capitalised cost of enhancement to pensions payable at normal retirement age		

106. Service Cost

	201X-1Y £000	201W-1X £000
Current service cost (see note 1619.4)		
Past service costs [if relevant]		

117. Enhancements (see also nNote 2016.4)

	201X-1Y	201W-1X
	£000	£000
Employees:		
Purchase of added years		
Refunds of gratuities		
Employers:		
Bringing forward the payment of accrued lump sums		
Enhancements to pensions on departure		
Enhancements to pensions on retirement		

128. Transfers in - additional liability

	201X-1Y	201W-1X
	£000	£000
Group transfers in from other schemes		
Individual transfers in from other schemes		

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Combined Statement of Comprehensive Net Expenditure as expenditure as part of the movements in the provision during the year.

139. Injury benefits

	201X-1Y	201W-1X
	£000	£000
Injury benefits payable		
Less: recoverable from employers		

~~Injury benefits payable to former employees but which are not recoverable from employers unless the injury was sustained (i.e. those in respect of injuries sustained on or before 31 March 1998) are transactions of the Magenta Pension Scheme and are brought to account through the Statement of Comprehensive Net Expenditure. During 201X-1Y these amounted to some £000 (201W-1X: £000).~~

1410. Pension financing cost (see also Note-note 2016.4)

	201X-1Y	201W-1X
	£000	£000
Net interest on defined benefit liability		

|

Statement of Comprehensive Net Expenditure – agency arrangements with the Violet Compensation Scheme

1511. Compensation benefits payable

15.1 The following amounts represent annual compensation payments payable to former employees, but which are not recoverable from employers. They are brought to account in the Statement of Comprehensive Net Expenditure.

	Note	201X-1Y £000	201W-1X £000
Discounts allowed in pre-funded annual compensation payments	115.2		
End-year revaluation of central funding provision			
Central funding – difference between provision for current year and outturn expenditure	151.2		

15.2 The following represent the total annual compensation payments and compensation lump sums payable:

	Note	201X-1Y £000	201W-1X £000
Recoverable from employers [cash flow statement]			
Pre-funded by employers	2417		
Discounts allowed on pre-funding	115.1		
Amounts met from central funding:			
Use of provision	2218		
Borne by Compensation Scheme	115.1		
Total annual compensation payable			
Lump sums payable recoverable from employers			
Total lump sums payable			

1612. Additional Voluntary Contributions

~~NB:~~ This note should make no reference to free standing additional voluntary contributions (FSAVCs) as these are private arrangements between employees and the relevant institutions. Reference to FSAVCs and stakeholder pensions are made in the Report of the Managers.

16.1 The note should explain the arrangements whereby employees may make AVCs. It should clarify that AVCs are not brought to account in the Scheme statements and the responsibilities of the Managers of the Scheme extend only to ensuring that members' contributions are paid to the approved providers. It should note that members making contributions will receive annual statements from the providers confirming amounts held on their account and the movements in the year.

16.2 The aggregate amounts of AVC investments are as follows:

	201X-1Y £000	201W-1X £000
Movements in the year		
Balance at 1 April		
New investments		
Sales of investments to provide pension benefits		
Settlements		
Changes in market value of investments		
Balance at 31 March		
Contributions received to provide life cover		
Benefits paid on death		

Statement of Financial Position: Principal arrangements – Magenta Pension Scheme

1713. Receivables – contributions due in respect of pensions

173.1 – Analysis by type

	201X-1Y £000	201W-1X £000
Amounts falling due within one year:		
Pension contributions due from employers		
Employees' normal contributions		
Bringing forward the payment of accrued superannuation lump sums		
Capitalised cost of enhancement to pensions payable on departure		
Group transfers		
Overpaid pensions		
Other receivables ¹ <i>Other receivables should be analysed and any significant items disclosed separately</i>		
Amounts due from the Consolidated Fund in respect of supply ² <i>See Consolidated Fund example 2 and 4</i>		
Sub-total		
Non-supply receivables:		
Injury benefit receivables		
Total amounts falling due within one year		
Amounts falling due after more than one year:		
Group transfers		
Other receivables ¹ <i>Any amounts falling due after more than one year should be analysed as appropriate</i>		
Total amounts falling due after more than one year		

¹ *Other receivables should be analysed and any significant items disclosed separately*

² *See Consolidated Fund examples 2 and 4*

Included within these figures is £000 (201W-1X: £000) that will be due to the Consolidated Fund once the debts are collected.

173.2 – Analysis by organisation

	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
	<u>201X-1Y</u>	<u>201W-1X</u>	<u>201X-1Y</u>	<u>201W-1X</u>
<u>Balances with other central government bodies</u>				
<u>Balances with local authorities</u>				
<u>Balances with NHS bodies</u>				
<u>Balances with public corporations and trading funds</u>				
<u>Subtotal: intra-government balances</u>				
<u>Balances with bodies external to government</u>				
<u>Total receivable at 31 March</u>	-	-	-	-

1814. Cash and cash equivalents

	201X-1Y £000	201W-1X £000
Balance at 1 April		
Net change in cash balances		
Balance at 31 March		

The following balances at 31 March were held at:

~~Office of HM Paymaster General~~ Government Banking Service

Commercial banks and cash in hand

Short term investments

Balance at 31 March

1915. Payables – in respect of pensions

1519.1 – Analysis by type

	201X-1Y £000	201W-1X £000
Amounts falling due within one year		

Pensions

Injury benefits

Group transfer pre-payment

HMRC and voluntary contributions

Overpaid contributions: employers

Overpaid contributions: employees

Overpaid contributions: employees added years

Other creditors¹ *Other creditors should be analysed and any significant items disclosed separately*

Amounts issued from the Consolidated Fund for supply but not spent at year end² *See Consolidated Fund example 4*

Consolidated Fund extra receipts due to be paid to the Consolidated Fund³ *See Consolidated Fund examples 5, 6, 7, 8, 9 and 10*

£ Received

€

£

€

£

€

£

€

£ Receivable

€

£

€

£

€

£

€

£

€

Amounts falling due after more than one year:

Any amounts falling due after more than one year should be analysed as appropriate [Description]

¹ *Other creditors should be analysed and any significant items disclosed separately*

² *See Consolidated Fund example 1*

³ *See Consolidated Fund examples 5, 6, 7, 8, 9 and 10*

4915.2 – Analysis by organisation

	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
	<u>201X-1Y</u>	<u>201W-1X</u>	<u>201X-1Y</u>	<u>201W-1X</u>
	<u>£000</u>		<u>£000</u>	
Balances with other central government bodies				
Balances with local authorities				
Balances with NHS bodies				
Balances with public corporations and trading funds				
<u>Subtotal: Intra-government balances</u>	-	-	-	-
<u>Balances with bodies external to government</u>				
<u>Total payable at 31 March</u>				

	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
	<u>201X-1Y</u>	<u>201W-1X</u>	<u>201X-1Y</u>	<u>201W-1X</u>
	<u>£000</u>		<u>£000</u>	
Balances with other central government bodies				
Balances with local authorities				
Balances with NHS Bodies				
Balances with public corporations and trading funds				
Balances with public sector organisations	-	-	-	-
Balances with bodies external to government				
<u>Total payables</u>				

This table should analyse the amounts payable shown in the statement of financial position between the categories shown.

2016. Pension liabilities**2016.1 Pension liability****Assumptions underpinning the pension liability**

The [name of scheme] is an unfunded defined benefit scheme. [Name of actuary] carried out an assessment of the Scheme liabilities as at 31 March 201Y. The Report of the Actuary on pages [x] and to [y] sets out the scope, methodology and results of the work the actuary has carried out.

The [Scheme managers/trustees] together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the [Scheme managers/trustees] should make available to the actuary in order to meet the expected requirements of the Scheme auditor. This information includes, but is not limited to, details of:

- Scheme membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- income and expenditure, including details of expected bulk transfers into or out of the Scheme; and
- following consultation with the actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The ~~major~~ key assumptions used by the actuary were:

	At 31 March 201Y	At 31 March 201X	At 31 March 201W	At 31 March 201V	At 31 March 200U
Rate of increase in salaries					
Rate of increase in pensions in payment and deferred pensions					
Inflation assumption					

Nominal discount rate
Discount rate net of price inflation

Mortality rates at age 60
Current retirements

F Females

e

£

a

†

e

e

£

M Males

a

†

e

e

Retirements in 20 years time

F Females

e

£

a

†

e

e

M Males

a

†

e

e

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the [Scheme managers/trustees] acknowledge that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 the Scheme Managers/trustees are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

16.2 Analysis of the pension liability

[Insert here a table analysing the liability between active members, deferred pensions and current pensioners – as currently provided in the Report of the Actuary – but expanded to provide comparative figures. Comparatives should ideally be for the number of years for which major assumptions are provided in the table earlier in this note.]

NB: this As with the rest of this pro-forma, the -wording below is illustrative and should be tailored to. The note should reflect the actual circumstances of the Scheme itself.

~~20.2~~ Pension Scheme liabilities accrue over employee's periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Scheme liability, the Actuary must estimate the impact of several inherently uncertain variables into the future. The variables include not only the key financial assumptions noted in the table above, but also

assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

~~20.3~~—The value of the liability on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The managers [trustees] of the Scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 20.4. The note also discloses “experience” gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

16.3 Sensitivity analysis

A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period is included below.

—[Insert here a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This could take the format of an expanded version of the sensitivity analysis that is currently included in the Report of the Auditor but Schemes are encouraged to disclose in the manner that best suits their own individual circumstances. Also include details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses. The actuary will need to provide this information]

2016.4 Analysis of movements in the Scheme liability

	<u>Note</u>	201X-1Y £000	201W-1X £000
Scheme liability at 1 April			
Current service cost (note 10)	<u>6</u>		
Past service cost [if relevant] (note 10)	<u>6</u>		
Pension financing cost (note 14)	<u>10</u>		
Enhancements (note 10)	<u>6</u>		
Pension transfers in (note 11)	<u>7</u>		
Benefits payable (note 20.5)	<u>16.5</u>		
Pension payments to and on account of leavers (note 20.6)	<u>16.6</u>		
Actuarial gain/(loss) (note 20.7)	<u>16.7</u>		
Scheme liability at 31 March			

During the year ended 31 March 201Y, employers' and employees' contributions represented an average of 10.0 per cent of pensionable pay. [Schemes should indicate proposals for future years, i.e. remain at this level or proposed increases/decreases]

2016.5 Analysis of benefits paid

	201X-1Y £000	201W-1X £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)		
Commutations and lump sum benefits on retirement		
<u>Per Statement of Cash Flows Total benefits paid</u>		

2016.6 Analysis of payments to and on account of leavers

	201X-1Y £000	201W-1X £000
Refunds to members leaving service		
Group transfers to other schemes		
Individual transfers to other schemes		
<u>Per Statement of Cash Flows Total payments to and on account of leavers</u>		

2016.7 Analysis of actuarial gain/(loss)

	201X-1Y £000	201W-1X £000
Experience gains/(losses) arising on the Scheme liabilities		
Changes in assumptions underlying the present value of Scheme liabilities		
<u>Per Statement of Changes in Taxpayers Equity Total actuarial gain/(loss)</u>		

2016.8 History of experience (gains)/(losses)

	201X-1Y	201W-1X	201V-1W	200U-1V	200T-0U
Experience (gains)/(losses) on the Scheme liabilities:					
<u>Amount (£000)</u>					
£					
0					
0					
0					
)					
<u>Percentage of the present value of the Scheme liabilities</u>					
£					
0					
0					
0					
)					
£					
0					
0					
0					
)					

Total amount recognised in Statement of Changes in Taxpayers Equity

<u>Amount (£000)</u>
£
0
0
0
)
<u>Percentage of the present value of the Scheme liabilities</u>
£
0
0
0
)

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[NB: The actuary should provide the analysis necessary for this analysis]

Statement of Financial Position - Agency arrangements: Violet Compensation Scheme

2117. Receivables – Non-supply

	201X-1Y	201W-1X
	£000	£000
Recoverable annual compensation payments		
Recoverable lump sums		

2218. Annual compensation payments pre-funded by employers

This analysis will only be required where there are (or have been) arrangements whereby employers could pre-fund some or all of their liabilities in respect of compensation payments and are showing amounts as liabilities on the Statement of Financial Position.

		201X-1Y	201W-1X
	Note	£000	£000
Balance at 1 April			
Amount used to offset liabilities	4511.2		
Balance at 31 March			
To be used in the next 12 months			
To be used after more than 12 months			

~~23. Provisions for liabilities and charges – Central funding of early retirement benefits~~

~~*This note will affect only the PCSPS. It should also explain the background to the central funding arrangements (now discontinued) and the method for determining the residual liability remaining with the Scheme.*~~

		201X-1Y	201W-1X
	Note	£000	£000
Balance at 1 April 201X			
Use of provisions in year	15.2		
Revaluation at year-end			
Balance at 31 March 201Y		-	-

2419. Financial Instruments

ONLY where the scheme is exposed to risk should the appropriate IFRS 7 disclosures be made. Disclosures should be given only where they are necessary because the scheme holds financial instruments that are complex or play a significant medium to long-term role in the financial risk profile of the scheme. The headings in IFRS 7 should be used to the extent that they are relevant. Where the scheme does not face significant medium to long-term financial risks, then it is sufficient to make a statement to that effect – similar to that above. (Given that all schemes have financial instruments within the scope of IAS 32, silence is not an option.)

As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Scheme's expected purchase and usage requirements and the Scheme is therefore exposed to little credit, liquidity or market risk.

~~ONLY where the scheme is exposed to risk should the appropriate IFRS 7 disclosures be made. Disclosures should be given only where they are necessary because the scheme holds financial instruments that are complex or play a significant medium to long term role in the financial risk profile of the scheme. The headings in IFRS 7 should be used to the extent that they are relevant. Where the scheme does not face significant medium to long term financial risks, then it is sufficient to make a statement to that effect similar to that above. (Given that all schemes have financial instruments within the scope of IAS 32, silence is not an option.)~~

2520. Contingent liabilities disclosed under IAS 37

The Scheme should give here information about contingent liabilities disclosed under the requirements of IAS 37. This will probably need to mention guarantees to make pension payments in the event of a default by an approved AVC provider.

2621. Losses and special payments

2621.1 Losses Statement *(Drafting note: if any)*

Schemes should include a note on losses if the total value exceeds £300,000. Individual losses of more than £300,000 should be noted separately.

	201X-1Y	201W-1X
	£000	£000
Total number of losses Total [Insert total number of cases and total amount]		
Total value of losses (£000)		
Details of losses over £300,000 Details of cases over £250,000		
Cash losses		
[List cases]		
Claims abandoned		
[List cases]		
Administrative write-offs		
[List cases]		
Fruitless payments		
[List cases]		
Store Losses		
[List cases]		

Details of the individual cases should include the name of the entity where the loss (note 27.1) or special payment (note 27.2) arose. ~~Where the headings are not appropriate they do not need to be disclosed.~~

Comparatives need be given for category totals. The list of cases need only be provided for the current year.

216.2 Special Payments *(Drafting note: if any)*

Schemes should include a note on special payments if the total value exceeds £300,000. Individual payments of more than £300,000 should be noted separately.

	201X-1Y	201W-1X
	£000	£000
Total number of special payments		
Total value of special payments (£000) Total [Insert total number of cases and total amount]		

Details of special payments over £300,000Details of cases over
£250,000

[List cases][List cases]

~~Comparatives
need be given
for category
totals. The list of
cases need only
be provided for
the current year.~~

Comparatives
need be given
for category
totals. The list of
cases need only
be provided for
the current year.

261.3 Other payments *(Drafting note: if any)* _____

~~The scheme should insert relevant text.~~

~~_____If the Scheme has made any other
significant payments, including making gifts, these should be disclosed.~~

227 Related-party transactions

The Scheme falls within the ambit of [~~The Scheme should disclose the name of the Department]. The Department is within whose ambit it falls which is~~ regarded as a related party with which the Department has had various material transactions during the year.

In addition, the Schemes ~~have~~ has had material transactions with other government departments, and other central government bodies whose employees are members of the Schemes.

None of the Managers of the Schemes, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year. [~~Or Drafting note:~~ if there have been material transactions, they should be disclosed.

28-23 Events after the Reporting Period

The Scheme should disclose details of any events between the end of the reporting period and the date the financial statements are authorised for issue distinguishing between adjusting and non-adjusting events as defined in IAS10.

~~Date of authorisation for issue~~ _____

The [Accounting Officer/Board] authorised the issue of these financial statements on XX Month 201Y.