SUMMARY OF MAIN CHANGES – MAGENTA PENSION SCHEME: ILLUSTRATIVE ACCOUNTS

Statement/ Note	Change	Reason
SOAS	Changes to name of SOAS disclosure	To implement change of name in statement
SOAS, Losses & Special Payments Statement	Wording amended to align with other illustrative statements	Explained in 'Changes' column

202X–2Y Magenta Pension Scheme: illustrative pension scheme statement

1. The illustrative statement accounts for the fictitious "Magenta" Pension Scheme consist of:

A) Accountability Report

In addition to reporting requirements stated elsewhere in the FReM, the Accountability Report should also include:

a Report of the Managers

b. Report of the Actuary

c. Statement of the Accounting Officer's Responsibilities

d. Governance Statement

e. Statement of Outturn against Assembly Supply (SOAS) and related notes

f. Other Assembly Accountability Disclosures

g. Certificate and Report of the Auditor

B) Financial Statements

a [Combined] Statement of Comprehensive Net Expenditure (SoCNE) (*)

b [Combined] Statement of Financial Position (SoFP) (*)

c [Combined] Statement of Changes in Taxpayers' Equity (SoCiTE)

d [Combined] Statement of Cash Flows (SoCF) (*)

e Notes to the accounts

* **These statements will be "combined" if they reflect transactions relating to both pensions and early departure costs (see paragraph 4 below)**

2. The statements 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. In line with the implementation of the Simplifying and Streamlining Project and the requirements of IAS 1, notes to the accounts will only be required for material balances. The removal of non-material balances, with a recognition that materiality is not restricted to just monetary value, will significantly streamline and simplify the accounts ensuring that the user is only presented with and can focus on relevant and material information. There will be no diminution of audit scope or depth, only the presentation of the information will be affected.

4. As noted in 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.

A) Accountability Report

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, 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 202Y, significant features of results for year*
- *Events after the reporting period*
- *Issues for 202X-2Y*

Information for Members

- *Supplementary information available to members*
- *Information about Freestanding Additional Voluntary Contributions 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*
- *Sensitivity Analysis*

Statement of the Accounting Officer's Responsibilities

This 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

Statement of Outturn against Assembly Supply

In order to ensure consistency and clarity in SOAS disclosures, mandatory standardised text has been developed to explain the role of the SOAS.

The following text must be included as part of the SOAS disclosures:

> In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires [*the Scheme*] to prepare a Statement of Outturn against Assembly Supply (SOAS) and supporting notes.
>
> The SOAS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.
>
> The SOAS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision for resource and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details supply and is voted on by the Assembly at the start of the financial year and is then normally revised by a Supplementary Estimate at the end of the financial year. It is the final Estimate, normally the Spring Supplementary Estimate, which forms the basis of the SOAS.
>
> Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.
>
> The format of the SOAS mirrors the Supply Estimates to enable comparability between what the Assembly approves and the final outturn. The Supply Estimates are voted by the Assembly and published on the DoF website.
>
> The supporting notes detail the following: A reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOAS to the financial statements (note 1); a reconciliation of net resource outturn to net cash requirement (note 2); an analysis of income payable to the Consolidated Fund (note 3), a reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund (note 4); and detail on non-operating income not classified as Accruing Resources (note 5).

Commentary on outturn against estimate variances should be included in the SOAS.

In addition, preparers should note 6.6.8 c) in the FReM and include any commentary as relevant.

Where the Scheme has an Excess Vote for one of the reasons given in the 'Supply Estimates in Northern Ireland Guidance Manual' or 'Managing Public Money Northern Ireland' (as appropriate), the Scheme should insert this note and provide an explanation of why the Excess was incurred and how this has affected performance, if not already provided elsewhere:

> The Scheme has incurred an Excess of [*insert amount*] because [*insert reason*]. The Scheme will seek Assembly approval by way of an Excess Vote in a Budget Act at the first opportunity.

Preparers, when compiling the SOAS should still bear in mind the guidance in 6.6.9 a) that preparers may find it useful to provide further context and explanation over and above the minimum requirements detailed in 6.6 and throughout these illustrative statements; for example, by adding further explanatory text and indicating where information reconciles to other parts of the financial statements.

Summary tables – mirror Part II and III of the Estimates

Summary table, 202X – 2Y, all figures presented in £000

Type of spend	Note	Outturn			Estimate			Outturn vs Estimate, saving / (excess)	Prior Year Outturn Total, 201W-2X
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total	
Request for Resources									
A									
B									
C									
Total Resources	SOAS 1								
Non-operating Accruing Resources									

Please note that it is sufficient to include the summary note to show Outturn against Estimate. However, if there is additional detail, over and above that in the summary, and if there has been any virement been Estimate lines then please include SOAS note 1 Outturn detail, by Estimate line from the Department Yellow.

Net Cash requirement 202X – 2Y, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 201W – 2X
Net Cash requirement	SOAS 2				

Summary of income payable to the Consolidated Fund

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

	Note	Forecast 202X-2Y		Outturn 202X-2Y	
		Income	*Receipts*	Income	*Receipts*
Total amount payable to the Consolidated Fund	SOAS 3				

Where the Scheme has a reportable Prior Period Adjustment, the Scheme should insert the following text: The Scheme has Prior Period Adjustments (PPAs) resulting from [*insert reason*]. It is proper for the Scheme to seek Assembly authority for the provision that should have been sought previously. In 202X-2Y, the following such PPAs have been made, which have been included within voted Supply in the Estimate.

PPA Description	Resource	DEL/AME/NON BUDGET	Amount/ £000

Guidance on PPAs and what they are is included in the Consolidated Budgeting Guidance.

Notes to the Statement of Outturn against Assembly Supply, 202X – 2Y (£000s)

SOAS note 1. Reconciliation of outturn to net operating expenditure

Item	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Prior Year Outturn Total, 201W-2X
Net Resource Outturn	SOAS 1				
Prior Period Adjustments					
Non-supply income (CFERs)	SOAS 3				
Non-supply expenditure		*Consolidated Fund Standing Services and expenditure financed by the National Insurance Funds.*			
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	**SOCNE**				

Text to include: As noted in the introduction to the SOAS above, Outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this note reconciles the resource outturn to net operating expenditure, linking the SOAS to the financial statements.

Reconciling items must be explained, if not already explained elsewhere, with reference to where and why budgeting rules diverge from IFRS. For example:

Capital grants / Research and Development (R&D) are budgeted for as Capital DEL, but accounted for as spend on the face of the SOCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. £Xm of capital grants / R&D were issued to X for the purposes of Y….

If the total resource outturn in the SOAS is the same as net operating expenditure in the SoCNE, no reconciliation is required and a written statement can instead be included stating this is the case.

Please note, the use of an 'other' row in the table above is only illustrative and preparers should provide relevant detail of other reconciling items (such as PFI, R&D, etc).

SOAS note 2. Reconciliation of net resource outturn to net cash requirement

This note mirrors Part II of the Estimates: Resource to Cash Reconciliation.

Item	Note	Outturn total	Estimate	Outturn vs Estimate, Saving / (excess)
Resource outturn	SOAS 1	*This figure will include profit or loss on disposal of assets*		
Accruals to cash adjustments				
Adjustments to remove non-cash items:		*Excludes non-cash items that do not pass through Statement of Outturn against Assembly Supply.*		
Depreciation, impairments and revaluations		*Profit or loss on disposal of assets should not be included as non-cash as NBV is used above to align with Estimates.*		
New provisions and adjustments to previous provisions				
Prior period adjustments				
Other non-cash items				
Changes in working capital other than cash		*See example in Consolidated Fund. This might differ from the statement of cash flows.*		
Changes in payables falling due after more that on year				
Use of provisions:				
Pension				
Central Funding				
Excess cash receipts surrenderable to the Consolidated Fund	SOAS 3	*See Consolidated Fund example 10. Net cash requirement outturn cannot be negative. Excess cash should be surrendered within this category.*		
Net cash requirement		**Net cash requirement CANNOT be negative.**		

Text to include: As noted in the introduction to the SOAS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.

Commentary explaining reconciling items may be included if preparers believe it will be of use to users. Preparers may also find it useful to indicate how the NCR reconciles to the cash flow in the financial statements (although the cash flow includes funding from the Consolidated Fund (Supply) and so usually won't directly reconcile to NCR). Please note, the rows in the table above are illustrative, additional rows may be needed or can be removed if nil balance.

SOAS note 3. Analysis of income payable to the Consolidated Fund

This note mirrors Part III of the Estimates: Extra Receipts 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).

Item	Note	Forecast 202X-2Y		Outturn 202X-2Y	
		Income	*Receipts*	Income	*Receipts*
Operating income and receipts – excess Accruing Resources		*See Consolidated Fund example 5*			
Other operating income and receipts not classified as Accruing Resources		*See Consolidated Fund example 6*			
		Sub-totals of operating income and receipts surrenderable to the Consolidated Funds			
Non-operating income and receipts – excess Accruing Resources		*See Consolidated Fund example 8*			
Other non-operating income and receipts not classified as Accruing Resources	SOAS 5	*See Consolidated Fund example 9*			
Other amounts collected on behalf of the Consolidated Fund		*See Consolidated Fund example 8*			
Excess cash surrenderable to the Consolidated Fund	SOAS 2	*See Consolidated Fund example 10*			
Total amount payable to the Consolidated Fund					

Preparers should consider adding explanatory text for this note, explaining its purpose and how it reconciles to other parts of the financial statements.

NB excess income is determined on a RfR basis as the Assembly approves separate Accruing Resources totals for each RfR.

SOAS note 4. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

Item	Note	202X-2Y £000	201W-2X £000
Operating income		*Total income in the Statement of Comprehensive Net Expenditure.*	
Adjustments for transactions between RfRs		*Reverse eliminations of inter-RfR transactions.*	
Gross income			
Income authorised to be Accruing Resources		*Deduct the lower of Accruing Resources income and Estimate*	
Operating income payable to the Consolidated Fund	SOAS 3	*Sub-total equals outturn less authorised to be Accruing Resources and should agree with subtotal in Note SOAS 3.*	

SOAS note 5. Non-operating income not classified as Accruing Resources (if relevant)

Item	Income £000	Receipts £000
(Details)		

Other Assembly Accountability Disclosures

Losses and Special Payments

Losses Statement

Schemes should include a note on losses if the total value exceeds £250,000. Individual losses of more than £250,000 should be noted separately.

		202X-2Y	201W-2X
		£000	£000
Total number of losses	*Comparatives should be given for category totals. The list of cases need only be provided for the current year.*		
Total value of losses (£000)			
Details of losses over £250,000			
Cash losses			
[List cases]			
Claims abandoned			
[List cases]			
Administrative write-offs			
[List cases]			
Fruitless payments			
[List cases]			
Store Losses			
[List payments]			

Schemes should provide details of individual cases over £250,000 including the name of the entity where the loss arose. Where the headings for different types of losses are not appropriate they do not need to be disclosed.

Special Payments

Schemes should include a note on special payments if the total value exceeds £250,000. Individual payments of more than £250,000 should be noted separately.

		202X-2Y	201W-2X
		£000	£000
Total number of special payments	*Comparatives should be given for category totals. The list of cases need only be provided for the current year.*		
Total value of special payments (£000)			
Details of special payments over £250,000			
[List cases]			

Schemes should provide details of individual cases over £250,000 including the name of the entity where the special payment arose. In the case of reporting on special payments which are severance payments, the detail to be disclosed should include the number of special severance payments made, the total amount paid out, and the maximum (highest), minimum (lowest) and median values of payments made. Where a Scheme's reporting of special severance payments does not include some *or all of these details in circumstances in which doing so would conflict with a legal obligation arising as a result of the Data Protection Act 2018, or otherwise, this fact should also be disclosed.*

Other payments

If the Scheme have made any other significant payments, including making gifts, these should be disclosed.

Certificate and Report of the Auditor

B) Financial Statements

In line with the implementation of the Simplifying and Streamlining Accounts project, notes to the accounts will only be required for material balances. The removal of non-material balances, with a recognition that materiality is not restricted to just monetary value, will significantly streamline and simplify the accounts ensuring that the user is only presented with and can focus on relevant and material information. There will be no diminution of audit scope or depth, only the presentation of the information will be affected.

[Combined] Statement of Comprehensive Net Expenditure

for the year ended 31 March 202Y

This example is based on the premise that the Violet Compensation Scheme operates on an agency basis. 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.

	Note	202X-2Y £000	201W-2X £000
Principal Arrangements – Magenta Pension Scheme			
Income			
Contributions receivable	3		
Transfers in	4		
Other pension income	5		
Expenditure			
Service cost	6		
Enhancements	7		
Transfers in	8		
Injury benefits	9		
Pension financing cost	10		
Other interest payable			
Administration expenses			
Net (expenditure)/income			
Agency Arrangements – Violet Compensation Scheme			
Benefits payable	11		
Net expenditure			
Combined net (expenditure)/income			
Other comprehensive net expenditure			
Pension re-measurements:			
- Actuarial gain/(loss)			
- Other remeasurements			
Total comprehensive net (expenditure)/income for the year			

[Combined] Statement of Financial Position

as at 31 March 202Y

	Note	31 March 202Y £000	31 March 202X £000
Principal arrangements – Magenta Pension Scheme			
Current assets:			
Receivables	13		
Cash and cash equivalents	14		
Total current assets			
Current liabilities:			
Payables (within 12 months)	15		
Total current liabilities			
Net current assets/(liabilities), excluding pension liability			
Pension liability	16		
Net liabilities, including pension liabilities			
Agency arrangements – Violet Compensation Scheme			
Receivables	17		
Payables (within 12 months)			
Net current assets/(liabilities)			
Payables (after 12 months)			
Provisions for liabilities and charges			
Net assets/(liabilities)			
Combined schemes – Total net assets/(liabilities)			
Taxpayers' equity:			
General fund			

(Signed) .... (Accounting Officer)
[*date*]

[Combined] Statement of Changes in Taxpayers' Equity

for the year ended 31 March 202Y

For Schemes restating the CSoCiTE

	Note	General Fund £000
Balance at 31 March 201W		
Changes in accounting policy		
Restated balance at 1 April 201W		
Net Assembly Funding – drawn down		
Net Assembly Funding – deemed		
Consolidated Fund Standing Services		
Supply (payable)/receivable adjustment		
Excess Vote – Prior Year		
Excess Vote – Accruing Resources		
CFERS payable to the Consolidated Fund		
Comprehensive net expenditure/(income) for the year		
Actuarial (gain) / loss		
Balance at 31 March 202X		
Net Assembly Funding – drawn down		
Net Assembly Funding – deemed		
Consolidated Fund Standing Services		
Supply (payable)/receivable adjustment		
Excess Vote – Prior Year		
Excess Vote – Accruing Resources		
CFERS payable to the Consolidated Fund		
Comprehensive net expenditure/(income) for the year		
Actuarial (gain) / loss		
Balance at 31 March 202Y		

For Schemes not restating the CSoCiTE

	Note	General Fund 202X-2Y £000	General Fund 201W-2X £000
Balance at 1 April			
Net Assembly Funding – drawn down			
Net Assembly Funding – deemed			
Consolidated Fund Standing Services			
Supply (payable)/receivable adjustment			
Excess Vote – Prior Year			
Excess Vote – Accruing Resources			
CFERS payable to the Consolidated Fund			
Comprehensive net expenditure/(income) for the year			
Actuarial (gain) / loss			
Net change in taxpayer's equity			
Balance at 31 March			

[Combined] Statement of Cash Flows

for the year ended 31 March 202Y

	Note	202X-2Y £000	201W-2X £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			
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			
Increase/(decrease) in payables: pensions			
Increase/(decrease) in payables: other payables			
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure			
Increase/(decrease) in pension provision	16.4		
Use of provisions			
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) (if relevant)			
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		*Cash received during the year in relation to CFER income that does not pass through the Statement of Comprehensive Net Expenditure.*	
Payments of amounts due to the Consolidated Fund		*Cash paid over to the Consolidated Fund under any category.*	
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	14	*Opening cash and cash equivalents as per note ref*	
Cash and cash equivalents at the end of the period	14	*Closing cash and cash equivalents as per note ref*	

Magenta Pension Scheme – Financial Statements 202X-2Y

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 202X-2Y 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 Outturn against Assembly 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 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

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 £Xm (201W-2X: £Xm) (see note 20) and any amounts that have been pre-funded or prepaid by employers £Xm (201W-2X: £Xm) (see note 18).

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 financial statements 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 Schemes 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*

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.

2.2 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.

Statement of Comprehensive Net Expenditure – principal arrangements with the Magenta Pension Scheme

3 Contributions receivable

	202X-2Y £000	201W-2X £000
Employers		
Employees:		
Normal		
Purchase of added years		
Total		

£x million contributions are expected to be payable to the Scheme in 202Y-2Z

4 Transfers-in

	202X-2Y £000	201W-2X £000
Group transfers in from other schemes		
Individual transfers in from other schemes		
Total		

5 Other pension income

	202X-2Y £000	201W-2X £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		
Total		

6 Service Cost

	Note	202X-2Y £000	201W-2X £000
Current service cost	16.4		
Past service costs [*if relevant*]			
Total			

7 Enhancements (see also note 16.4)

	202X-2Y £000	201W-2X £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		
Total		

8 Transfers in – additional liability

	202X-2Y £000	201W-2X £000
Group transfers in from other schemes		
Individual transfers in from other schemes		
Total		

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.

9 Injury benefits

	202X-2Y £000	201W-2X £000
Injury benefits payable		
Less: recoverable from employers		
Total		

Injury benefits payable to former employees are recoverable from employers unless the injury was sustained on or before 1 March 1998.

10 Pension financing cost (see also note 16.4)

	202X-2Y £000	201W-2X £000
Net interest on defined benefit liability		
Total		

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

11 Compensation benefits payable

11.1 The following amounts represent annual compensation payments payable to former employees, but which are not recoverable from employers.

	Note	202X-2Y £000	201W-2X £000
Discounts allowed in pre-funded annual compensation payments	11.2		
End-year revaluation of central funding provision			
Central funding – difference between provision for current year and outturn expenditure	11.2		

11.2 The following represent the total annual compensation payments and compensation lump sums payable.

	Note	202X-2Y £000	201W-2X £000
Recoverable from employers			
Pre-funded by employers	18		
Discounts allowed on pre-funding	11.1		
Amounts met from central funding:			
Use of provision			
Borne by Compensation Scheme	11.1		
Total annual compensation payable			
Lump sums payable recoverable from employers			
Total lump sums payable			

12 Additional Voluntary Contributions

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.

12.1 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.

12.2 The aggregate amounts of AVC investments are as follows:

	202X-2Y £000	201W-2X £000
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

13 Receivables – contributions due in respect of pensions

Analysis by type

	202X-2Y £000	201W-2X £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]		
Amounts due from the Consolidated Fund in respect of supply[2]		
Sub-total		
Non-supply receivables:		
Injury benefits receivable		
Total amounts falling due within one year		

	202X-2Y £000	201W-2X £000
Amounts falling due after more than one year:		
Group transfers		
Other receivables[1]		
Total amounts falling due after one year		

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

[2] *See Consolidated Fund example 2 and 4*

Included within these figures is £XXX (201W–2X: £XXX) that will be due to the Consolidated Fund once the debts are collected.

14 Cash and cash equivalents

	202X-2Y £000	201W-2X £000
Balance at 1 April		
Net change in cash balances		
Balance at 31 March		
The following balances at 31 March were held at:		
NI Banking Pool		
Commercial banks and cash in hand		
Short term investments		
Balance at 31 March		

15 Payables – in respect of pensions

Analysis by type

	202X-2Y £000	201W-2X £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 creditors[1]		
Amounts issued from the Consolidated Fund for supply but not spent at year end[2]		
Consolidated Fund extra receipts due to be paid to the Consolidated Fund[3]		
Received		
Receivable		
Amounts falling due after more than one year:		
[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

16 Pension liabilities

16.1 Assumptions underpinning 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 202Y. The Report of the Actuary on pages [x] 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 the 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 key assumptions used by the actuary were:

	At 31 March 202Y	**At 31 March 202X**	**At 31 March 201W**	**At 31 March 201V**	**At 31 March 201U**
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: Females					
Males					
Retirements in 20 years' time: Females					
Males					

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 pensions – 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.]

As with the rest of this proforma, the wording below is illustrative and should be tailored to reflect the circumstances of the Scheme.

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.

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 16.4. 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 extended 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.]

16.4 Analysis of movements in the Scheme liability

	Note	202X-2Y £000	201W-2X £000
Scheme liability at 1 April			
Current service cost	6		
Past service cost	6		
Pension financing cost	10		
Enhancements	7		
Pension transfers in	8		

Benefits payable	16.5	
Pension payments to and on account of leavers	16.6	
Actuarial gain/(loss)	16.7	
Scheme liability at 31 March		

During the year ended 31 March 202Y, employers' and employees' contributions represented an average of [x.x] percent of pensionable pay. *[Schemes should indicate proposals for future years, i.e. remain at this level or proposed increases/decreases].*

16.5 Analysis of benefits paid

	202X-2Y	**201W-2X**
	£000	**£000**
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)		
Commutations and lump sum benefits on retirement		
Total benefits paid		

16.6 Analysis of payments to and on account of leavers

	202X-2Y	**201W-2X**
	£000	**£000**
Refunds to members leaving service		
Group transfers to other schemes		
Individual transfers to other schemes		
Total payments to and on account of leavers		

16.7 Analysis of actuarial gain/(loss)

	202X-2Y	**201W-2X**
	£000	**£000**
Experience gains/(losses) arising on the Scheme liabilities		
Changes in assumptions underlying the present value of Scheme liabilities		
Total actuarial gain/(loss)		

16.8 History of experience gains/(losses)

	202X-2Y	**201W-2X**	**201V-1W**	**201U-1V**	**201T-1U**
Experience gains/(losses) on the Scheme liabilities:					
Amount (£000)					
Percentage of the present value of the Scheme liabilities					
Total amount recognised in statement of Changes in Taxpayers Equity:					
Amount (£000)					
Percentage of the present value of the Scheme liabilities					

Statement of Financial Position - Agency arrangements: Violet Compensation Scheme

17 Receivables – Non-supply

	202X-2Y	201W-2X
	£000	£000
Recoverable annual compensation payments		
Recoverable lump sums		
Total		

18 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.

	Note	202X-2Y	201W-2X
Balance at 1 April			
Amount used to offset liabilities	11.2		
Balance at 31 March			
To be used in the next 12 months			
To be used after more than 12 months			

19 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 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 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.

20 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.

21 Related-party transactions

The Scheme falls within the ambit of [*name of department*]. The department is regarded as a related party with which the Scheme has had various material transactions during the year.

In addition, the Scheme 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 if there have been material transactions, they should be disclosed*.]

22 Events after the Reporting Period

The Scheme should insert here, if relevant, a note that reports the non-adjusting events after the reporting period date that are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions as per IAS 10.

Date of authorisation for issue

The [*Accounting Officer/Board*] authorised the issue of these financial statements on XX Month 202Y.