



# Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>6 SEPTEMBER 2023</b>
Title	<b>DRAFT ACCOUNTS 2022-23</b>
Report of	<b>PENSION FUND MANAGER</b>

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## EXECUTIVE SUMMARY

1. This report presents the draft financial statements for the Isle of Wight Council Pension Fund for the year ended 31 March 2023.
2. The draft results presented within this report are subject to any changes that may arise during the audit process.

## RECOMMENDATION

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| <ol style="list-style-type: none"><li>3. That the draft financial statements for the pension fund for the year ended 31 March 2023 be approved.</li><li>4. That the proposed timetable for the completion and publication of the annual report and accounts for the year ended 31 March 2023 be noted.</li></ol> |
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## LEGISLATIVE BACKGROUND

5. The Accounts and Audit Regulations 2015 (the 2015 regulations), as amended, requires that the statement of accounts for the Isle of Wight Pension Fund form part of the council's annual accounts; these accounts will be approved by the Audit and Governance Committee. The deadline for the publication of the council's draft statement of accounts for the year ended 31 March 2023 was 31 May 2023, as set out in the amended 2015 regulations, with final audited accounts required to be published no later than 30 September 2023.
6. Due to the delay in closing the external audit of the council's 2021-22 accounts, the council's draft statement of accounts for the year ended 31 March 2023 have not yet been published. Accordingly, the Pension Fund's 2022-23 accounts have not been published.

7. There is no specific regulatory requirement for the pension fund's accounts to be approved separately it is a matter of good practice for the Pension Fund Committee to be provided with the draft results as part of the overall approval process.
8. As required by the Local Government Pension Scheme Regulations 2013, the pension fund accounts will form part of the Pension Fund's Annual Report, which must be published by 1 December 2023. It is proposed that the fund's Annual Report and Accounts for the year ended 31 March 2023 will be presented at the November 2023 committee.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

9. The content of this report does not directly impact upon any of the corporate priorities outlined in the [Corporate Plan 2021 – 2025](#).

### Pension Fund Strategic Aims

10. The primary objective of the fund is to pay benefits to scheme members or their dependants in accordance with the Local Government Pension Scheme (LGPS) Regulations and other statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
11. Receiving information on the fund's draft results statements, and the overall stewardship of public funds, fulfils the fund's governance objective to ensure compliance with the LGPS regulations, other relevant legislation, and the Pension Regulator's codes of practice.

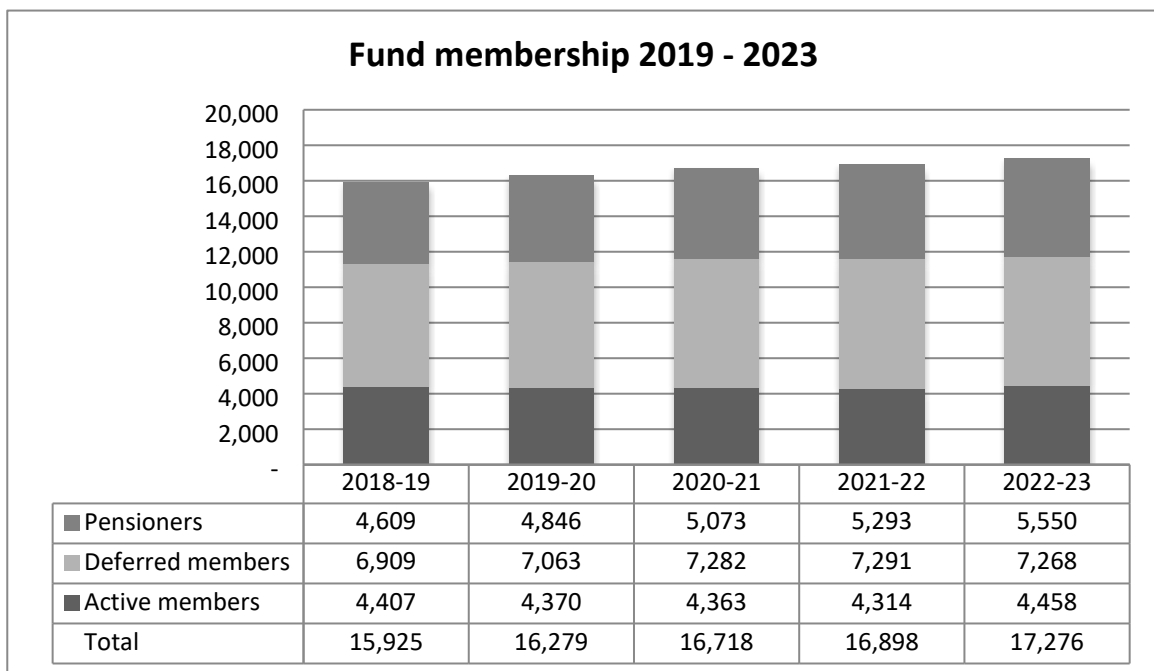
## DRAFT FINANCIAL RESULTS

12. Appendix 1 to this report sets out the current draft fund account (income and expenditure/revenue account) and balance sheet for the year ended 31 March 2023.
13. Subject to any changes that arise during the audit process, the draft results show a reduction in the total net assets of the fund of approximately £37.2 million (5.11 percent), being £691.1 million at 31 March 2023.
14. The decrease in net assets is due to the reduction in value of the fund's investment assets from £709.8 million at 31 March 2022 to £676.1 million at 31 March 2023 (subject to paragraph 13 above), a reduction the direct cash holdings of £4.8 million, offset by an increase in operational cash balances by £1.2 million at 31 March 2023 in comparison to the previous year end. This fall in investment valuation was driven by general market fluctuations, rather than any specific decisions made by the fund.
15. Contributions received have increased by £3.5 million (15.7 per cent) compared to the previous year, as a result of both salary increases in year and also due to the slight increase in active members (as per paragraph 22 below).

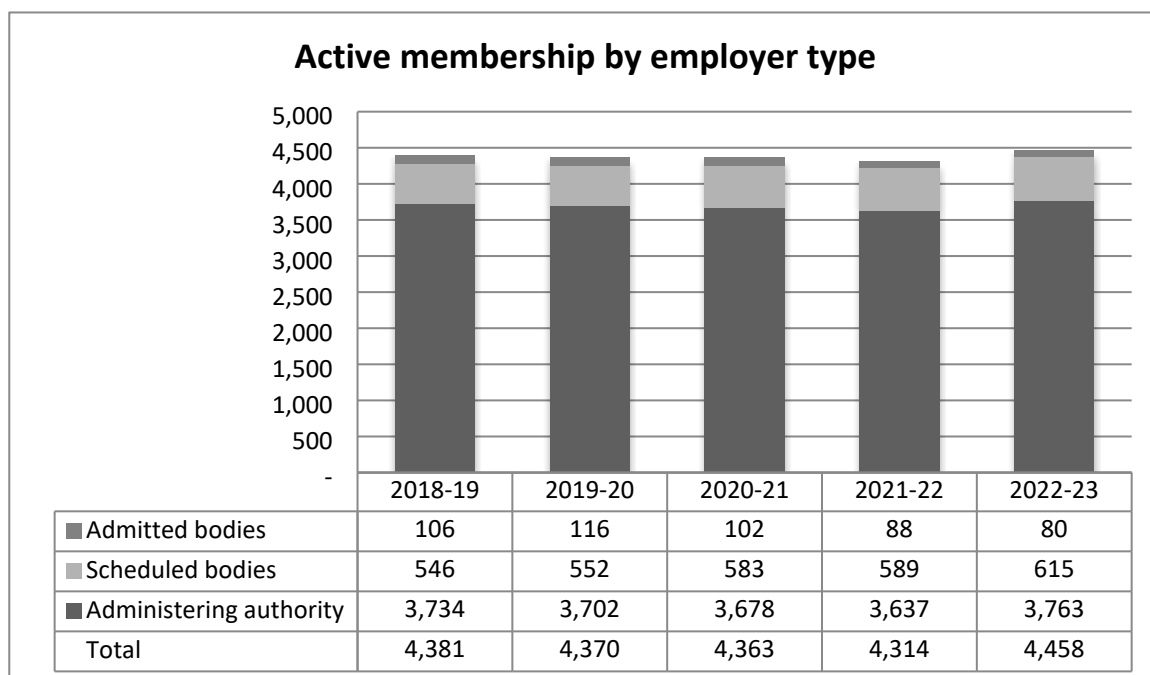
16. Benefits payable have increased by £3.3 million (13.3 per cent) in comparison to the previous year; contributing factors include inflationary pension increases, and higher pensioner numbers with a resulting increase in lump sum retirement grants.
17. The increase in management expenses was due to the initial licence fee for the pension administration software system (£0.2 million) following the re-procurement of the system completed in 2022. There was only a slight change to the investment management fees incurred year on year.
18. The change in value of the investments reflects the reduction in the net assets highlighted in paragraph 14.

## MEMBERSHIP NUMBERS

19. Total members of the fund at 31 March 2023 were 17,276, an overall increase of 378 since 31 March 2022.
20. The graph below shows the total change in membership, and the composition of the membership (active members, deferred members, and pensioners) for the last five years.



21. The council's proportion of active members has increased slightly this year to 84.4 percent of the total.
22. The graph below shows the movement in active membership numbers by type of employer (council (as administering authority), admitted body and scheduled body) over the last five years.



23. Membership of admitted bodies continues to decline as those employers are not able to admit new members to the scheme. At 31 March 2023, there were 11 admitted bodies in the fund, of whom only five have five or more active members; there is only one that has more than ten active members.

#### FINANCIAL / BUDGET IMPLICATIONS

24. There are no direct financial implications associated with this report.
25. As an annual process, it is necessary to produce financial information in this format to comply with external reporting requirements, codes of practice and the specific requirements of the Accounts and Audit (England) Regulations 2015.

#### LEGAL IMPLICATIONS

26. The accounts for the Isle of Wight Council Pension Fund will form part of the council's annual accounts, which are required by the Accounts and Audit (England) Regulations 2015 (as amended) to be approved by the council sitting as a whole, or by a committee with delegated powers to make such a decision (for the Isle of Wight Council this is the Audit and Governance Committee), no later than 31 May for each financial year.
27. The Accounts and Audit (Amendment) Regulations 2022, which came into force on 22 July 2022, amended the 2015 regulations to extend the deadline for the publication of audited accounts to 30 September for the 2022-23 accounts and the following five years.
28. While there is currently no specific regulatory requirement for the pension fund accounts to be separately approved, it is considered good practice to provide the Pension Fund Committee with the draft results figures as part of the overall approval process.

## EQUALITY AND DIVERSITY

29. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
30. There are no implications for any of the protected characteristics arising from items covered in the report.

## RISK MANAGEMENT

31. The Isle of Wight Council Pension Fund accounts form part of the council's overall annual accounts that have to be signed off by Full Council (or a committee with delegated powers) as part of the Accounts and Audit (England) Regulations 2015. While it is not a statutory requirement for the fund's accounts to be approved separately from the council's full accounts, not involving the pension fund committee in this sign off process would not be following accepted good practice.
32. Presenting the committee with an early draft of the financial results, and then presenting the final pension fund annual report and accounts for approval at a later date, ensures that committee members have a greater understanding of the financial information when providing their final approval.

## APPENDICES ATTACHED

33. Appendix 1 – Extract from draft financial results for the year ended 31 March 2023

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