



Committee Report

ISLE OF WIGHT COUNCIL

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	22 NOVEMBER 2023
Title	DRAFT ANNUAL REPORT AND ACCOUNTS 2022-23
Report of	PENSION FUND AND TREASURY MANAGEMENT ACCOUNTANT

1. Executive Summary

- 1.1 This report presents the draft annual report and accounts for the Isle of Wight Council Pension Fund for the year ended 31 March 2023, which is still subject to external audit.
- 1.2 The pension fund accounts contained within the annual report will form part of the accounts of the Isle of Wight Council, as administering authority for the fund, which will be presented to Audit and Governance Committee once both the external audits have been completed.
- 1.3 The separate external audit of the pension fund accounts has begun but will not be complete until late December 2023 or early January 2024.
- 1.4 Publication of the draft, unaudited annual report and accounts will ensure the fund is compliant with Local Government Association best practice, and in compliance with the statutory deadline.
- 1.5 The Draft Annual Report does not include two items, namely the Foreword and the Knowledge and Skills Framework Compliance Statement.
- 1.6 Delegation of the inclusion of these items in the Annual Report by the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee will allow the Annual Report to be published by the deadline.

2. Recommendation(s)

- 2.1 That the committee adopts the draft annual report and accounts for the year ended 31 March 2023, subject to any changes from external audit, and approves the publication of the draft, unaudited document on the fund's website before the deadline of 1 December 2023.
- 2.2 That the committee is notified of the progress of the external audit for both the pension fund and the Council.
- 2.3 That the committee delegates authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to produce the outstanding items for the draft annual report and that this is published by the deadline of 1 December 2023.
- 2.4 That the committee delegates authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to update the annual report and account for any changes arising from the audit, and to publish the final annual report and accounts as soon as practical after the Audit and Governance Committee meeting.
- 2.5 That the committee and pension board are notified of the conclusion of the pension fund's external audit and the publication of the final annual report and accounts, and a report be presented to each body at the first meeting after the conclusion of the process.

3. Background

- 3.1 The Local Government Pension Scheme (LPGS) Regulations 2013 (the regulations) require pension funds to publish an annual report on or before 1 December each year. The content of the annual report is specified by the regulations.
- 3.2 The Current guidance from the LGA is that funds should publish their draft, unaudited annual report and accounts as soon as it is available; funds should publish an updated version once the external audit of the relevant administering authority's accounts has been completed.
- 3.3 Due to significant delays in the external audit process for both the fund itself and the council, as administering authority, therefore the fund will be looking to publish a draft annual report by the specified deadline.
- 3.4 The draft financial result for the pension fund for the year ended 31 March 2023, including investment performance and employers' contributions analysis, was presented to the pension fund committee at its meeting on 6 September 2023. The annual report contains the same information but presented in accordance with statutory reporting guidelines.

- 3.5 Regulation 57 of the regulations covers the requirement for, content of, and publication arrangements for LGPS pension fund annual reports.
- 3.6 A full list of the contents of the annual report is listed below. The full document is in excess of 250 pages long, so is not presented in its entirety. The full document can be provided if required on request from the Pension Fund Manager.
- 3.7 Attached to this report as Appendix 1, is the information that has not been seen previously by this committee, indicated in italics in the table below. Where details have been submitted previously a link has been provided to the document.

Table of contents	
Foreword	<i>As prepared on behalf of the committee chair. This document has yet to be produced</i>
Financial summary	<i>Extracted from draft financial statements presented to September 2023 committee meeting</i>
Scheme management and advisers.	<i>Same format as prior year.</i>
Investment policy and performance report	<i>Report from the fund's investment consultants, Hymans Robertson LLP</i>
<u>Investment strategy statement</u>	February 2021 version. Approved by previous committee on 3 March 2021. Link to published statement provided.
Actuarial statement	<i>Report from the fund's actuary, Hymans Robertson LLP.</i>
<u>Funding strategy statement</u>	Approved and adopted by previous committee at meeting on 23 February 2023. Link to published statement provided.
Pension scheme administration information	<i>Key performance indicators for 2022-23</i>
<u>Administration strategy</u>	Approved by previous committee 10 May 2023. Link to published statement provided.
<u>Governance policy statement</u>	Approved by previous committee 2 September 2020. Link to published statement provided.
<u>Terms of reference of Pension Fund Committee</u>	Contained within council's constitution which was last updated August 2022.
<u>Terms of reference of Local Pension Board</u>	Link to relevant section of constitution provided.
Governance compliance statement	To be presented to committee on within the papers for this meeting
Pension Board Annual Report	<i>Report from Pension Board Chairman on activity during 2022-23</i>
Knowledge and skills framework compliance statements	<i>Detail of training undertaken both by Pension Fund Committee and Pension Board. This document has yet to be produced</i>
<u>Risk management policy</u>	Approved by committee in November 2021. Link to published statement provided.
<u>Communications policy statement</u>	Approved by committee on 23 November 2022. Link to published statement provided.

ACCESS Pool Annual Report	This document has yet to be published by ACCESS so we are unable to publish it at this point.
Statement of responsibilities for the statement of accounts – not included	Final version to be inserted once council's statement of accounts finalised.
<i>Financial statements year ended 31 March 2023</i>	Current unaudited version, as published in the Council's draft financial statements .
Independent auditors' statement – not included	To be added once council's statement of accounts finalised.
<i>APPENDIX A – Glossary of terms</i>	<i>As per prior year.</i>

4. Corporate Priorities and Strategic Context

- 4.1 There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 – 2025](#).

Pension Fund Strategic Aims

- 4.2 The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and 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.
- 4.3 The fund has also agreed the following objectives, which are supported by information in this report:
- 4.3.1 Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
- 4.4 Approval of the fund's draft annual report and accounts, and the overall stewardship of public funds, form an integral part of the fund's corporate governance framework.

5. Financial / Budget Implications

- 5.1 There are no direct financial implications associated with this report.
- 5.2 The financial information included in this report was presented in summary at the committee meeting in September 2023. However, on an annual basis 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, and with the Local Government Pension Scheme Regulations 2013.

6. Legal Implications

- 6.1 The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as “a [local authority] required to maintain a pension fund under the local government pension scheme regulations”.
- 6.2 The Local Government Pension Scheme Regulations 2013 require that LGPS funds prepare an annual report, including specified contents, which must be published on or before 1 December each year.
- 6.3 The fund will comply with LGA guidance to publish its draft, unaudited annual report and accounts on the fund’s website by the deadline of 1 December 2023.
- 6.4 We do not have an expected date by which the external auditors will issue their report and opinion on the council’s accounts, including those of the pension fund.
- 6.5 On completion of the external audit, the fund’s final annual report and accounts will be published on the fund’s website, and the draft version removed.

7. Equality And Diversity

- 7.1 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.
- 7.2 The approval of the fund’s annual report and accounts, subject to external audit, has no impact on any of the above protected characteristics.

8. Options

- 8.1 To support the completion of the fund’s annual report and accounts for the year ended 31 March 2023, the following options can be considered:
 - 8.1.1 That the committee adopts the draft annual report and accounts for the year ended 31 March 2023, including the outstanding documents, subject to any changes from external audit, and approves the publication of the draft, unaudited document on the fund’s website as soon as practical after the committee meeting.
 - 8.1.2 That the committee adopts the draft annual report and accounts for the year ended 31 March 2023, including the outstanding documents, subject to any changes from external audit, but does not approve the publication of the draft, unaudited document on the fund’s website.

- 8.1.3 That the committee delegates authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to update the annual report, including the outstanding documents, and account for any audit adjustments required, and to publish the final annual report and accounts as soon as practical after the Audit Committee and Governance meeting at which the final accounts are presented.
- 8.1.4 That the committee does not adopt the draft annual report and accounts for the year ended 31 March 2023, and requests that the final annual report and accounts be presented to committee for adoption and publication once the external audit process is completed.

9. Risk Management

- 9.1 The pension fund's accounts are not required to be separately published, but form part of the council's statement of accounts.
- 9.2 The key risk relates to not publishing the pension fund annual report in accordance with the Local Government Pension Scheme Regulations 2013, presenting a potential risk to the reputation of the council.
- 9.3 In the current year, the delays to the commencement of the external audit process for both the pension fund and the council will mean that the statutory deadlines for publication of the final annual report will not be met. The potential reputational damage can be mitigated by the publishing of the draft report as per the advice of the Local Government Association by the current deadline.
- 9.4 There is a further risk that the conclusion of the external audit process for either the council or the pension fund, or indeed both, is delayed beyond the commencement of the preparation of the 2023–24 statement of accounts. This is beyond the control of pension fund officers, who are providing all information promptly as requested by the external auditors.
- 9.5 Should this delay materialise, the committee will be notified, and alternative publication arrangements will be made.

10. Evaluation

- 10.1 If the committee does not adopt the draft annual report and accounts, including the outstanding documents, subject to any changes from external audit, at the current meeting, there will be a need to convene an additional committee meeting after the 2024 audit and governance committee meeting where the accounts are presented, to review and adopt the audited annual report and accounts.
- 10.2 If the committee does adopt the draft annual report and accounts, including the outstanding documents, subject to any changes from external audit, but do not delegate authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to update the annual report and account for any audit adjustments required, and to publish the final

annual report and accounts, there will be a need to convene an additional committee meeting after the 2024 Audit and Governance Committee meeting where the accounts are presented.

- 10.3 There is little risk to the fund in not publishing the draft, unaudited annual report and accounts on the fund's website, as this is not a legislative requirement, however, failure to do so will be going against best practice and may reflect poorly on the fund.
- 10.4 Accordingly, options at paragraphs 8.1.1 and 8.1.3 are recommended.

11. Appendices Attached

- 11.1 Appendix 1: Extracts from the Isle of Wight Council Pension Fund Annual report and accounts for the year ended 31 March 2023.

12. Background Papers

- 12.1 Isle of Wight Pension Fund Committee, 6 September 2023, Draft Pension Fund Accounts 2022-23
<https://iow.moderngov.co.uk/documents/s12519/ITEM%206b%20Draft%20Annual%20Report%20and%20Accounts%2022-23.pdf>

Contact Point: Jo Cooke, Treasury and Pension Fund management Accountant,
☎ 821000 e-mail jo.cooke1@iow.gov.uk

CHRIS WARD
Director of Finance

COUNCILLOR CHRIS JARMAN
*Chairman of the Isle of Wight
Pension Fund Committee*