

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 24 November 2021, 09:30.

Microsoft Teams.



Present

Pension Fund Sub-committee:

Councillors W Leslie Manson, Alexander G Cowie, Steven B Heddle, Rachael A King, Stephen Sankey and James W Stockan.

Pension Board:

Employer Representatives:

Councillors J Harvey Johnston, Owen Tierney and Duncan A Tullock, Orkney Islands Council.

Trade Union Representatives:

Karen Kent (Unison) and Eileen Swanney (Unison).

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.
- Colin Kemp, Interim Head of Finance.
- Shonagh Merriman, Interim Corporate Finance Senior Manager.
- Paul Maxton, Solicitor (for Items 3 to 10).

Audit Scotland:

- Claire Gardiner, Senior Audit Manager.
- Colin Morrison, Senior Auditor.

Observing

- Katie Gibson, Accounting Officer.
- Lorraine Stout, Press Officer (for Items 8 to 10).

Apology

Pension Sub-committee:

- Councillor Barbara Foulkes.

Not Present

Pension Board:

Trade Union Representatives:

- Eoin Miller (Unite).
- Mark Vincent (GMB).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor W Leslie Manson.

1. Form of Voting

The Sub-committee resolved that, should a vote be required in respect of the matters to be considered at this meeting, notwithstanding Standing Order 21.4, the form of voting should be by calling the roll (recorded vote).

2. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Items 8 and 9, as the business to be discussed involved the potential disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

3. Orkney Islands Council Pension Fund

Audit Report to those charged with Governance

After consideration of a report by the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, copies of which had been circulated, and after hearing a report from the Senior Audit Manager, Audit Scotland, the Sub-committee:

Noted:

3.1. That Audit Scotland, as the Council's external auditors, had concluded their audit of the Orkney Islands Council Pension Fund Annual Report and Accounts for the year ended 31 March 2021.

3.2. That Audit Scotland had provided an unmodified certificate on the Pension Fund Annual Report and Accounts for the year ended 31 March 2021.

- 3.3.** That the draft audit certificate stated that the accounts had been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.
- 3.4.** That, during the course of the audit, a number of presentational, consistency and disclosure errors were identified within the financial statements, which had been adjusted in the final accounts.
- 3.5.** That no material weaknesses in the accounting and internal control systems relating to the Pension Fund were identified during the audit.
- 3.6.** Audit Scotland's covering letter in respect of the Orkney Islands Council Pension Fund Annual Audit Report, attached as Appendix 1 to the report by the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.
- 3.7.** Orkney Island's Council's Letter of Representation to Audit Scotland in connection with their audit of the financial statements of Orkney Islands Council Pension Fund for the year ended 31 March 2021, attached as Appendix 2 to the report by the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.
- 3.8.** The Annual Audit Report to Members of the Pension Fund Sub-committee and the Controller of Audit, in respect of the Orkney Islands Council Pension Fund, attached as Appendix 3 to the report by the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.

Karen Kent joined the meeting during discussion of this item.

4. Pension Fund – Annual Accounts

After consideration of a report by the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, copies of which had been circulated, and after hearing a report from the Interim Head of Finance, the Sub-committee:

Noted:

- 4.1.** The requirement, in terms of the Local Authority Accounts (Scotland) Regulations 2014, for a local authority, or a committee of the authority, whose remit included audit or governance functions, to consider and approve the audited Annual Accounts for signature no later than 30 September immediately following the financial year to which the accounts related.
- 4.2.** That, in terms of the Coronavirus (Scotland) Act 2020, the deadline for publication of final accounts could be extended by two months, if required, from 31 October 2021 to 31 December 2021.
- 4.3.** That, to enable Audit Scotland to manage competing priorities, a revised timetable had been agreed and the signed Annual Accounts, together with an appropriate audit certificate, would be published by 30 November 2021.

4.4. The Management Commentary, comprising pages 1 to 12 of the Annual Report and Accounts of the Orkney Islands Council Pension Fund, attached as Appendix 1 to the report by the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2021, with the key facts and figures summarised at section 4.3 of the report by the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.

The Sub-committee resolved, in terms of delegated powers:

4.5. That the Annual Report and Accounts of the Orkney Islands Council Pension Fund 2020/2021, attached as Appendix 1 to this Minute, be approved.

5. Revenue Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Interim Corporate Finance Senior Manager, the Sub-committee:

Noted:

5.1. The revenue financial summary statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 September 2021, attached as Annex 1 to the report by the Head of Finance, which indicated a budget surplus position of £35,123,900.

5.2. The revenue financial detail by service area statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 September 2021, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

5.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance, and obtained assurance that action was being taken with regard to significant budget variances.

6. Pensions Administration – Performance

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Interim Corporate Finance Senior Manager, the Sub-committee:

Noted:

6.1. That the Orkney Islands Council Pension Fund invested and administered pensions on behalf of five current and former employers, including Scheduled Bodies brought into the Fund by legislation and Admitted Bodies who were permitted to join the Fund.

The Sub-committee scrutinised:

6.2. The main Pension Fund administration activities for the period 1 April to 30 September 2021, as detailed in sections 4 to 9 of the report by the Head of Finance, including the performance indicators detailed in section 6.3, and obtained assurance.

7. Exclusion of the Public

On the motion of Councillor W Leslie Manson, seconded by Councillor James W Stockan, the Sub-committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

Councillor James W Stockan and Karen Kent left the meeting at this point.

8. Statement of Managed Pension Funds

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Interim Corporate Finance Senior Manager, the Sub-committee:

Noted:

8.1. The investment monitoring report for the Pension Fund produced by Hymans Robertson, the Council's appointed investment advisor, attached as Appendix 1 to the report by the Head of Finance, relating to the performance of managed funds for the quarter to 30 September 2021.

8.2. That the Pension Fund investments returned a gain of £300,000 which, after transfers into the Fund were taken into account, equated to a loss of 0.1% over the quarter to 30 September 2021, which was 1.5% behind benchmark and was considered poor.

8.3. That the value of the Pension Fund had increased by 16.9% over the 12-month period to 30 September 2021, which was considered exceptional, and was 2.5% ahead of the target.

8.4. That an average return of 12.0% per annum for the Pension Fund remained 2.6% ahead of the target over the five-year period.

8.5. The Governance Summary extracted from Baillie Gifford's performance report for the quarter ending 30 September 2021, attached as Appendix 2 to the report by the Head of Finance.

8.6. The Corporate Governance Summary extracted from Legal and General's investment report for the quarter ending 30 September 2021, attached as Appendix 3 to the report by the Head of Finance.

9. Review of Investment Strategy

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, the Sub-committee:

Resolved, in terms of delegated powers, what action should be taken with regard to a review of the investment strategy for the Pension Fund.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

Karen Kent rejoined the meeting during discussion of this item.

10. Conclusion of Meeting

At 11:42 the Chair declared the meeting concluded.

Signed: W L Manson.