

Item: 16

**Pension Fund Sub-committee, together with Pension Board:
20 September 2023.**

1. Recommendations

It is recommended:

1.1.

That the Committee approves the attached minute as a true record.

2. Appendix

Draft Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 20 September 2023.

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 20 September 2023, 13:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Pension Fund Sub-committee:

Councillors Heather N Woodbridge, P Lindsay Hall, Steven B Heddle, Kristopher D Leask, Rachael A King and James W Stockan.

Pension Board:

Employer Representatives:

Councillors Graham A Bevan, James R Moar and Owen Tierney, Orkney Islands Council.

Karen Ritch, Senior Finance Officer, Orkney Ferries.

Trade Union Representatives:

Eoin Miller (Unite) and Eileen Swanney (Unison).

Present via remote link (Microsoft Teams)

Pension Fund Sub-committee:

Councillor Mellissa-Louise Thomson.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration (for Items 1 to 6).
- Erik Knight, Head of Finance.
- Shonagh Merriman, Service Manager (Corporate Finance),
- Katie Gibson, Team Manager (Corporate Finance).
- Paul Maxton, Solicitor.

Hymans Robertson:

- David Walker, Partner.
- Tom Hoare, Consulting Actuary.

KPMG:

- Julie Radcliffe, Audit Director.
- Kunal Malhotra, Audit Manager.

Not Present

Pension Board:

Trade Union Representatives:

- Karen Kent (Unison).
- Mark Vincent (GMB).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Heather N Woodbridge.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Items 6 and 7 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.

2. Pension Fund – Annual Accounts Audit – Update

After consideration of a report by the Corporate Director for Enterprise and Sustainable Regeneration, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

2.1. 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.
- To publish the accounts on a website by 31 October.

2.2. That, although the unaudited annual accounts were submitted to KPMG by the required deadline of 30 June 2023, as this was the first year of KPMG's 5-year appointment as the Council's external auditors and, given the pressures on the audit profession, together with changes to certain auditing standards, certain aspects of the audit were still ongoing and would not be completed in time to allow a full audit opinion to be reached before 30 September 2023.

2.3. That Audit Scotland had been notified of the situation outlined above and had been in regular contact with KPMG and all other auditors to monitor progress with the 2022/23 audits, as they knew this year would prove challenging to meet the 30 September deadline.

2.4. That the Annual Accounts, together with an appropriate audit certificate, would be considered by the Pension Fund Sub-committee, at its next meeting scheduled for 22 November 2023.

2.5. The audit status update report from KPMG, attached as Appendix 1 to the report by the Corporate Director for Enterprise and Sustainable Regeneration, updating members on matters arising from the audit work carried out to date, together with draft conclusions.

Councillor James W Stockan joined the meeting during discussion of this item.

3. Revenue Expenditure Outturn

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

Noted:

3.1. The revenue expenditure outturn statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for financial year 2022/23, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £53,058,700.

3.2. The revenue financial detail by service area statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for financial year 2022/23, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

3.3. 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 appropriate action was taken with regard to significant budget variances.

4. Revenue Expenditure Monitoring

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

Noted:

4.1. 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 June 2023, attached as Annex 1 to the report by the Head of Finance, indicating a budget overspend position of £8,587,200.

4.2. 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 June 2023, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

4.3. 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.

5. Exclusion of Public

On the motion of Councillor Heather N Woodbridge, 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 the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

6. 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 Service Manager (Corporate Finance), the Sub-committee:

Noted:

6.1. 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 June 2023.

6.2. That the Pension Fund investments returned a gain of £5,600,000, or 1.0%, over the quarter to 30 June 2023, which, although good in absolute terms, was 1.2% behind benchmark and therefore considered poor.

6.3. That the value of the Pension Fund had increased by 5.8% over the 12-month period to 30 June 2023, which was also good in terms of actual return, however, was marginally behind the benchmark of 6.2% and therefore considered poor.

6.4. That an average return of 4.5% per annum for the Pension Fund remained positive but was 1.9% behind the benchmark over the five-year period and therefore behind target, which was to outperform the aggregate benchmark.

6.5. The Governance Summary extracted from Baillie Gifford's investment report for the quarter ending 30 June 2023, attached as Appendix 2 to the report by the Head of Finance.

6.6. The extract from IFM Global Infrastructure's quarterly investor report, showing the responsible investment update for the quarter ending 30 June 2023, attached as Appendix 3 to the report by the Head of Finance.

6.7. The Corporate Governance Summary extracted from Legal and General's investment report for the quarter ending 30 June 2023, attached as Appendix 4 to the report by the Head of Finance.

7. Orkney Islands Council – Triennial Actuarial Valuation

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 Service Manager (Corporate Finance), it was:

Noted:

7.1. That the triennial valuation of the Orkney Islands Council Pension Fund was currently underway.

7.2. That, as part of the triennial valuation process, a review of the underlying financial and demographic assumptions had been undertaken, with the findings attached as Appendix 1 to the report by the Head of Finance.

7.3. The agreed approach, with Hymans Robertson, the Fund's actuarial advisers, to the review of the financial and demographic assumptions, as detailed in section 4.5 of the report by the Head of Finance.

8. Conclusion of Meeting

At 14:11 the Chair declared the meeting concluded.

Signed: (Chair).