

Minute

Pension Fund Sub-committee, together with Pension Board

Tuesday, 17 September 2019, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Pension Fund Sub-committee:

Councillors James W Stockan, Alexander G Cowie, Steven B Heddle, Rachael A King and Graham L Sinclair.

Pension Board:

Employer Representatives:

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

Trade Union Representative:

Eoin Miller (Unite).

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Head of Finance.
- Shonagh Merriman, Accounting Manager (Corporate Finance).
- Michael Scott, Solicitor.

Audit Scotland:

- Patricia Fraser, Audit Manager.

Observing

- Katie Gibson, Accounting Officer.

Apologies

Pension Fund Sub-committee:

- Councillor W Leslie Manson.
- Councillor Stephen Sankey.

Pension Board:

Employer Representative:

- Andrew Blake, Orkney Ferries Limited.

Trade Union Representatives:

- Sally George (Unison).
- Karen Kent (Unison).

Not Present

Pension Board:

- Mark Vincent, Trade Union Representative.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor James W Stockan.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Item 6, as the business to be discussed involved the potential disclosure of exempt information of the class described in the relevant paragraph of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Orkney Islands Council Pension Fund

Audit Report to those charged with Governance

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

Noted:

2.1. That Audit Scotland, as the Council's external auditors, had concluded their audit of the Orkney Islands Council Pension Fund's Annual Report and Accounts for the year ended 31 March 2019.

2.2. That Audit Scotland had provided an unqualified certificate on the Pension Fund's Annual Report and Accounts for the year ended 31 March 2019.

2.3. That the draft audit certificate stated that the accounts had been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

2.4. 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.

2.5. That no material weaknesses in the accounting and internal control systems relating to the Pension Fund were identified during the audit.

2.6. 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 Head of Finance.

2.7. 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 2019, attached as Appendix 2 to the report by the Head of Finance.

2.8. 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, issued by Audit Scotland on 17 September 2019, attached as Appendix 3 to the report by the Head of Finance.

3. Pension Fund – Annual Accounts

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

Noted:

3.1. 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.

3.2. The Management Commentary, contained in 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 Head of Finance, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2019, with the key facts and figures summarised at section 4.3 of the report by the Head of Finance.

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

3.3. That the Annual Report and Accounts of the Orkney Islands Council Pension Fund for financial year 2018 to 2019, attached as Appendix 1 to this Minute, be approved.

Councillor Owen Tierney joined the meeting during discussion of this item.

4. Revenue Expenditure Outturn

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

Noted:

4.1. The revenue expenditure outturn statement in respect of Pension Fund services for financial year 2018 to 2019, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £1,187,800.

4.2. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to the report by the Head of Finance.

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 Accounting Manager (Corporate Finance), the Sub-committee:

Noted:

5.1. The revenue financial summary statement in respect of Pension Fund services for the period 1 April to 30 June 2019, attached as Annex 1 to the report by the Head of Finance, indicating a surplus position of £951,100.

5.2. The revenue financial detail by Service Area statement for the period 1 April to 30 June 2019, attached as Annex 2 to the report by the Head of Finance.

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.

6. Statement of Managed Pension Funds

On the motion of Councillor James W Stockan, seconded by Councillor Rachael A King, the Sub-committee resolved that the public be 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 Local Government (Scotland) Act 1973 as amended.

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

Noted:

6.1. The review of the investment manager's performance for the quarter to 30 June 2019, attached as Appendix 1 to the report by the Head of Finance, prepared by Hymans Robertson, the Council's appointed investment advisors.

6.2. That Pension Fund investments returned a gain of 5.1% over the quarter to 30 June 2019, being 1.2% ahead of benchmark, which was considered good.

6.3. That the value of the Pension Fund had increased by 6.7% over the 12 month period to 30 June 2019, being 0.9% behind the benchmark, which was considered poor performance.

6.4. That an average return of 11.1% per annum for the Pension Fund remained 1.9% ahead of the benchmark over the five-year period.

6.5. The performance review commentary provided by the Fund Manager, attached as Appendix 2 to the report by the Head of Finance.

6.6. The Governance Summary extracted from the Fund Manager's performance report for the quarter ending 30 June 2019, attached as Appendix 3 to the report by the Head of Finance.

6.7. The Global Alpha Stewardship Report 2019 from the Fund Manager, attached as Appendix 4 to the report by the Head of Finance.

Councillor Owen Tierney left the meeting during discussion of this item.

7. Conclusion of Meeting

At 11:50 the Chair declared the meeting concluded.

Signed: James W Stockan.