

**Item: 3**

**Pension Fund Sub-committee: 19 September 2024.**

**Revenue Expenditure Outturn.**

**Report by Head of Finance.**

---

## **1. Overview**

- 1.1. On 7 March 2023, the Council set its overall revenue budget for financial year 2023/24. On 20 June 2023, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2023/24, which form the basis of the individual revenue expenditure monitoring reports.
- 1.2. Individual revenue expenditure monitoring reports are circulated every month to inform elected members of the up-to-date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees.
- 1.3. In terms of revenue spending, at an individual cost centre level, budget holders are required to provide an explanation of the causes of each material variance and to identify appropriate corrective actions to remedy the situation.
- 1.4. Material variances are identified automatically as Priority Actions within individual budget cost centres according to the following criteria:
  - Variance of £10,000 and more than 110% or less than 90% of anticipated position (1B).
  - Not more than 110% or less than 90% of anticipated position but variance greater than £50,000 (1C).
- 1.5. Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements. As with individual cost centre variances, each of these Priority Actions requires an explanation and corrective action to be identified and these are shown in the Budget Action Plan.
- 1.6. The details have been provided following consultation with the relevant Corporate Directors and their staff.

## 2. Recommendations

2.1. It is recommended that members of the Sub-committee:

- i. Note the revenue expenditure outturn statement in respect of service areas for which the Pension Fund Sub-committee is responsible, for financial year 2023/24, attached as Annex 1 to this report, indicating a budget underspend position of £33,004,100.
- ii. Note the financial detail by service area statement in respect of service areas for which the Pension Fund Sub-committee is responsible, for financial year 2023/24, attached as Annex 2 to this report,
- iii. Scrutinise the explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to this report, in order to obtain assurance that appropriate action was taken with regard to significant budget variances.

### For Further Information please contact:

Pat Robinson, Service Manager (Accounting), extension 2621, Email:

[pat.robinson@orkney.gov.uk](mailto:pat.robinson@orkney.gov.uk).

### Implications of Report

**1. Financial** The Financial Regulations state that Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.

The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards. This includes accounting for the use of fixed assets, for example depreciation and revaluations, current service cost of pensions and accumulated staff absences.

**2. Legal** Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.

**3. Corporate Governance** In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of revenue expenditure incurred against approved budgets, in respect of each of the service areas for which the Sub-committee is responsible, is referred to the Pension Fund Sub-committee.

**4. Human Resources** N/A

**5. Equalities** Equality Impact Assessment is not required for financial monitoring.

**6. Island Communities Impact** Island Communities Impact Assessment is not required for financial monitoring.

**7. Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:

- Growing our economy.
- Strengthening our Communities.
- Developing our Infrastructure.
- Transforming our Council.

**8. Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:

- Cost of Living.
- Sustainable Development.
- Local Equality.

**9. Environmental and Climate Risk N/A**

**10. Risk N/A**

**11. Procurement N/A**

**12. Health and Safety N/A**

**13. Property and Assets N/A**

**14. Information Technology N/A**

**15. Cost of Living N/A**

### **List of Background Papers**

Policy and Resources Committee, 23 February 2023, Budget and Council Tax Level for 2023/24.

Policy and Resources Committee, 20 June 2023, Detailed Revenue Budgets

### **Annexes**

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

**Annex 1: Financial Summary****March 2024**

The table below provides a summary of the position across all Service Areas.

<b>Service Area</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Pension Fund	(55,934.9)	(22,930.8)	(33,004.1)	N/A	(22,930.8)
	<b>(55,934.9)</b>	<b>(22,930.8)</b>	<b>(33,004.1)</b>	<b>N/A</b>	<b>(22,930.8)</b>
<b>Service Totals</b>	<b>(55,934.9)</b>	<b>(22,930.8)</b>	<b>(33,004.1)</b>	<b>N/A</b>	<b>(22,930.8)</b>

**Annex 2: Financial Detail by Service Area****March 2024**

The following tables show the spending position by service function

		<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>Spend</b>	<b>Annual</b>
	<b>PA</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
						<b>£000</b>
<b>Pension Fund</b>						
Pensions Fund Operations	<b>1B</b>	(2,866.2)	(1,819.0)	(1,047.2)	157.6	(1,819.0)
Pension Fund Admitted Bodies	<b>1B</b>	(897.9)	(631.3)	(266.6)	142.2	(631.3)
Pension Fund Administration	<b>1B</b>	448.9	378.8	70.1	118.5	378.8
Pension Fund Investments	<b>1B</b>	(52,619.7)	(20,859.3)	(31,760.4)	252.3	(20,859.3)
<b>Service Total</b>		<b>(55,934.9)</b>	<b>(22,930.8)</b>	<b>(33,004.1)</b>	<b>N/A</b>	<b>(22,930.8)</b>

Annex 3: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R81A	<p><b>Pensions Fund Operations</b></p> <p>More than anticipated income by £1,047.2K</p>	Erik Knight	<p>Level of transfers into the Fund were higher than anticipated.</p> <p>Budget difficult to anticipate.</p>	Budget is recalculated annually based on historic data from previous financial years.
R81B	<p><b>Pension Fund Admitted Bodies</b></p> <p>More than anticipated income by £266.6K</p>	Erik Knight	<p>Level of transfers into the Fund were higher than anticipated.</p> <p>Budget difficult to anticipate.</p>	Budget is recalculated annually based on historic data from previous financial years.
R81C	<p><b>Pension Fund Administration</b></p> <p>More than anticipated expenditure by £70.1K</p>	Erik Knight	<p>Supplies and Services spending is above budgeted levels. Consultancy costs are higher in part due to completion of the transfer of Highlands and Islands Enterprise employees to Highland Council's Pension Fund and the Triennial valuation process undertaken during the year. IT licence fees also show a significant increase in the year.</p>	Ensure budget setting process reflects known pension administration costs.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R81D	<p><b>Pension Fund Investments</b></p> <p>More than anticipated income by £31,760.4K</p>	Erik Knight	Unrealised gains or losses on externally managed investments are subject to market fluctuations - with investments going up and down in value throughout the year. Quarter 4 results turned the deficit after 9 months into a surplus at year end.	An updated Investment Strategy has been agreed. Implement Strategy recommendations.