

Item: 3

Pension Fund Sub-committee: 28 February 2024.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2023 across each of the service areas for which the Sub-committee is responsible.

2. Recommendations

The Sub-committee is invited to note:

2.1.

The revenue financial summary statement, in respect of service areas for which the Pension Fund Sub-committee is responsible, for the period 1 April to 31 December 2023, attached as Annex 1 to this report, indicating a budget overspend position of £9,125,400.

2.2.

The revenue financial detail by service area statement, in respect of service areas for which the Pension Fund Sub-committee is responsible, for the period 1 April to 31 December 2023, attached as Annex 2 to this report.

The Sub-committee is invited to scrutinise:

2.3.

The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to this report, in order to obtain assurance that action is being taken with regard to significant budget variances.

3. Background

3.1.

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.

3.2.

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.

3.3.

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.

3.4.

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).

3.5.

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.

3.6.

The details have been provided following consultation with the relevant Corporate Directors and their staff.

3.7.

The figures quoted within the Budget Action Plan by way of the underspend and overspend position will always relate to the position within the current month.

4. Financial Summary

4.1.

The financial summary for the period 1 April to 31 December 2023 is attached as Annex 1 to this report.

4.2.

The detail by Service Area statement is attached as Annex 2 to this report.

4.3.

The Budget Action Plan, attached as Annex 3 to this report, provides an explanation and proposed corrective action for each of the Priority Actions identified.

5. Corporate Governance

This report is presented in order to comply with internal governance and reporting requirements and is not for the exclusive purpose of supporting or relating to improved outcomes for communities as detailed in the Council Plan or the Local Outcomes Improvement Plan.

6. Financial Implications

The Financial Regulations state that service directors are able to incur expenditure within an approved revenue budget. Such expenditure must be in accordance with the Council's policies or objectives subject to compliance with these Financial Regulations and approved schemes of delegation.

7. Legal Aspects

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

8. Contact Officer

Erik Knight, Head of Finance, extension 2127, Email erik.knight@orkney.gov.uk.

9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Details by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 2023

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

Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Pension Fund	(6,995.5)	(16,120.9)	9,125.4	43.4	(22,930.8)
	(6,995.5)	(16,120.9)	9,125.4	43.4	(22,930.8)
Service Totals	(6,995.5)	(16,120.9)	9,125.4	43.4	(22,930.8)

Compared to last month, the total number of PAs has changed as follows:

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Pension Fund	4	4	4	100%
Totals	4	4	4	100%

Annex 2: Financial Detail by Service Area**December 2023**

The following tables show the spending position by service function

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Pension Fund						
Pensions Fund Operations	1B	(2,562.4)	(1,371.7)	(1,190.7)	186.8	(1,820.0)
Pension Fund Admitted Bodies	1B	(573.8)	(427.1)	(146.7)	134.3	(631.3)
Pension Fund Administration	1B	234.8	182.2	52.6	128.9	379.8
Pension Fund Investments	1B	(4,094.1)	(14,504.3)	10,410.2	28.2	(20,859.3)
Service Total		(6,995.5)	(16,120.9)	9,125.4	43.4	(22,930.8)

Pension Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R81A	<p>Pensions Fund Operations</p> <p>Less than anticipated expenditure by £1,190.7K</p> <p>Lower than anticipated level of transfers out of the fund in year to date.</p>	<p>Monitor the situation</p> <p>Keep under review.</p>	Erik Knight	31/01/2024	Ongoing
R81B	<p>Pension Fund Admitted Bodies</p> <p>Less than anticipated expenditure by £146.7K</p> <p>Lower than anticipated transfers out of the fund.</p>	<p>Monitor the situation</p> <p>Continue to monitor, but one-off impacts in current year unlikely to form a predictable profile.</p>	Erik Knight	31/01/2024	Ongoing
R81C	<p>Pension Fund Administration</p> <p>More than anticipated expenditure by £52.6K</p> <p>Staff costs are £10k lower than anticipated due to vacancies in first half of the year. All posts are now filled. On the other side, IT costs are significantly above budget (£50k) and is the main reason that this area is showing an overspend.</p>	<p>Monitor the situation</p> <p>Pension system is specific to this team, and cost increases have to be borne by the Fund. Seek to set realistic budget for 2024/25 going forward.</p>	Erik Knight	31/03/2024	Ongoing

Pension Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R81D	Pension Fund Investments Less than anticipated income by £10,410.2K Investment portfolios continue to operate behind forecasts.	Monitor the situation Unrealised gains or losses on externally managed investments are subject to market fluctuations - with investments going up and down in value throughout the year. Will continue to monitor fund manager reports and wider economic situation.	Erik Knight	31/01/2024	Ongoing