

Item: 5

Pension Fund Sub-committee: 15 September 2021.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2020/21 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 expenditure outturn statement in respect of Pension Fund services for financial year 2020/21, attached as Annex 1 to this report, indicating a budget surplus position of £119,399,800.

The Sub-committee is invited to scrutinise:

2.2.

The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to this report, in order to obtain assurance that appropriate action was taken with regard to significant budget variances.

3. Background

3.1.

On 3 March 2020, the Council set its overall revenue budget for financial year 2020/21. On 11 June 2020, the Council received the detailed revenue budgets 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 Executive Directors and their staff.

4. Financial Summary

4.1.

The revenue expenditure outturn statement for financial year is attached as Annex 1 to this report.

4.2.

The Budget Action Plan, attached as Annex 2 to this report, provides an explanation and proposed corrective action for each of the Priority Actions identified.

5. Corporate Governance

This report relates to the Council, as Administering Authority to the Orkney Islands Council Pension Fund, complying with its internal governance and financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

6.1.

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.

6.2.

Additional expenditure requirements identified during the financial year can only be approved by means of a spending recommendation to the Policy and Resources Committee, subject to the use of emergency powers.

6.3.

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.

7. Legal Aspects

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

8. Contact Officer

Colin Kemp, Interim Head of Finance, Email colin.kemp@orkney.gov.uk.

9. Annexes

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

Pension Fund Services	Spend £000	Budget £000	Over/(Under)		Annual Budget £000
			Spend £000	%	
Pension Fund	(144,263.9)	(24,864.1)	(119,399.8)	580.2	(24,864.1)
Service Totals	(144,263.9)	(24,864.1)	(119,399.8)	580.2	(24,864.1)

Pension Fund	PA	Spend £000	Budget £000	Over/(Under)		Annual Budget £000
				Spend £000	%	
Pensions Fund Operations	1B	(799.3)	(1,257.9)	458.6	63.5	(1,257.9)
Pension Fund Admitted Bodies	1B	329.0	(799.5)	1,128.5	n/a	(799.5)
Pension Fund Administration		373.4	401.1	(27.7)	93.1	401.1
Pension Fund Investments	1B	(144,167.0)	(23,207.8)	(120,959.2)	621.2	(23,207.8)
Service Totals		(144,263.9)	(24,864.1)	(119,399.8)	580.2	(24,864.1)

Pension Fund Statement of Reserves

Opening Balance 1 April 2020	(376,583.9)
Financial Year 2020/21 Surplus	(144,263.9)
Closing Balance as at 31 March 2021	<u>(520,847.8)</u>

Annex 2:

Budget Action Plan

Pension Fund			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R81A	<p>Pension Fund Operations</p> <p>More than anticipated expenditure by £458.6K.</p> <p>These movements relate to the ebb and flow of scheme members and are therefore out with the control of the Pension Fund. Budget profiles are based on historic averages and do not therefore take full account of unpredictable events such as when scheme members choose to retire and/or transfer their benefits on joining or leaving the scheme.</p>	No action required.	G Waterson
R81B	<p>Pension Fund admitted Bodies</p> <p>More than anticipated expenditure by £1,128.5K.</p> <p>These movements relate to the ebb and flow of scheme members and are therefore out with the control of the Pension Fund.</p>	No action required.	G Waterson
R81D	<p>Pension Fund Investments</p> <p>More than anticipated income by £120,959.2K.</p> <p>Unrealised gains on the Pension Fund were significantly ahead of target for the financial year 2020/21.</p>	The Pension Fund investments are affected by market fluctuations.	G Waterson