

## **Item: 5**

### **Pension Fund Sub-committee: 23 February 2022.**

#### **Revenue Expenditure Monitoring.**

#### **Report by Head of Finance.**

### **1. Purpose of Report**

To advise of the revenue position as at 31 December 2021 in respect of 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 2021, attached as Annex 1 to this report, indicating a budget surplus position of £30,068,600.

#### **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 2021, 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 2 March 2021, the Council set its overall revenue budget for financial year 2021/22. On 20 April 2021, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2021/22, which form the basis of the individual revenue expenditure monitoring reports.

### **3.2.**

Individual revenue expenditure 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.

### **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 2021 is attached as Annex 1 to this report.

### **4.2.**

The details 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 relates to the Council complying with its 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.

## **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](mailto:colin.kemp@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 2021

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	(48,782.7)	(18,714.1)	(30,068.6)	260.7	(26,913.2)
<b>Service Totals</b>	<b>(48,782.7)</b>	<b>(18,714.1)</b>	<b>(30,068.6)</b>	<b>260.7</b>	<b>(26,913.2)</b>

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

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

The following tables show the spending position by service function

<b>Pension Fund</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Pensions Fund Operations	<b>1B</b>	(503.2)	(931.8)	428.6	54.0	(1,230.9)
Pension Fund Admitted Bodies	<b>1B</b>	(618.1)	(401.4)	(216.7)	154.0	(593.7)
Pension Fund Administration	<b>1B</b>	166.3	192.7	(26.4)	86.3	352.9
Pension Fund Investments	<b>1B</b>	(47,827.7)	(17,573.6)	(30,254.1)	272.2	(25,441.5)
<b>Service Total</b>		<b>(48,782.7)</b>	<b>(18,714.1)</b>	<b>(30,068.6)</b>	<b>260.7</b>	<b>(26,913.2)</b>

## Pension Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R81A	<p><b>Pensions Fund Operations</b></p> <p>Less than anticipated income by £428.6K</p> <p>Mainly due to less than budgeted income from transfers into the Pension Fund and more than budgeted transfers out of the Pension Fund in December.</p>	<p><b>Monitor the situation</b></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> <p>The situation will be monitored, and any future budget adjustments required will be made accordingly.</p>	Colin Kemp	31/01/2022	Ongoing
R81B	<p><b>Pension Fund Admitted Bodies</b></p> <p>More than anticipated income by £216.7K</p> <p>Variance in December is mainly due to pension contributions and transfers into the Pension Fund higher than budgeted plus transfers out of the Pension Fund lower than budgeted.</p>	<p><b>No action required</b></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> <p>The situation will be monitored, and any future budget adjustments required will be made accordingly.</p>	Colin Kemp	31/01/2022	Ongoing

## Pension Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R81C	<p><b>Pension Fund Administration</b></p> <p>Less than anticipated expenditure by £26.4K</p> <p>Underspend on staff costs due to changes in staffing and vacant hours.</p>	<p><b>No action required</b></p> <p>The vacant posts have now been back filled.</p>	Colin Kemp	31/03/2022	Ongoing
R81D	<p><b>Pension Fund Investments</b></p> <p>More than anticipated income by £30,254.1K</p> <p>Unrealised gains on the Pension Fund investment portfolios are well ahead of target for the period to date.</p>	<p><b>No action required</b></p> <p>No action required, as investments are subject to market fluctuations.</p>	Colin Kemp	31/01/2022	Ongoing