

Item: 4

Pension Fund Sub-committee: 19 September 2024.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Overview

- 1.1. On 11 March 2024, the Council set its overall revenue budget for financial year 2024/25. On 18 June 2024, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2024/25, 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.
- 1.7. 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.

2. Recommendations

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

- i. Note 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 30 June 2024, attached as Annex 1 to this report, indicating a budget deficit position of £7,878,900.
- ii. Note the revenue financial detail by Service Area statement in respect of service areas for the Pension Fund Sub-committee is responsible, for the period 1 April to 30 June 2024, 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 is being taken with regard to significant budget variances.

For Further Information please contact:

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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.
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, 27 February 2024, Budget and Council Tax Level for 2024/25.

Policy and Resources Committee, 18 June 2024, Detailed Revenue Budgets

Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

June 2024

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 | 2,142.1 | (5,736.8) | 7,878.9 | N/A | (26,185.0) |
| | 2,142.1 | (5,736.8) | 7,878.9 | N/A | (26,185.0) |
| Service Totals | 2,142.1 | (5,736.8) | 7,878.9 | N/A | (26,185.0) |

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

| Service Area | No. of PAs | | Service Functions | PAs/ Function |
|---------------------|-------------------|------------|------------------------------|--------------------------|
| | P02 | P03 | | |
| Pension Fund | 3 | 3 | 4 | 75% |
| Totals | 3 | 3 | 4 | 75% |

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

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 | (156.7) | (512.7) | 356.0 | 30.6 | (2,028.7) |
| Pension Fund Admitted Bodies | 1B | 195.8 | (83.0) | 278.8 | N/A | (626.2) |
| Pension Fund Administration | | 95.7 | 97.8 | (2.1) | 97.9 | 420.0 |
| Pension Fund Investments | 1B | 2,007.3 | (5,238.9) | 7,246.2 | N/A | (23,950.1) |
| Service Total | | 2,142.1 | (5,736.8) | 7,878.9 | N/A | (26,185.0) |

Pension Fund

| Function | Function Description/ Explanation | Action Category/ Action Description | Responsible Officer | Deadline | Status |
|----------|--|--|------------------------|------------|---------|
| R81A | <p>Pensions Fund Operations</p> <p>Less than anticipated income by £356.0K</p> <p>Anticipated pension contributions lower than expected. Less transfers, deaths and refunds on pension fund.</p> | <p>Monitor the situation</p> <p>Difficult to budget accurately in this area.</p> | Erik Knight | 31/07/2024 | Ongoing |
| R81B | <p>Pension Fund Admitted Bodies</p> <p>Less than anticipated income by £278.8K</p> <p>Transfers out from Pension Fund members with the admitted bodies have been higher than anticipated.</p> | <p>Monitor the situation</p> <p>This is a difficult area to budget and profile correctly as we have no control over when members may transfer in or out of the fund</p> | Erik Knight | 31/07/2024 | Ongoing |
| R81D | <p>Pension Fund Investments</p> <p>Less than anticipated income by £7,246.2K</p> <p>Investments have not performed in alignment with budget profiles. Markets have been volatile in the year to date.</p> | <p>Monitor the situation</p> <p>Investments are considered long term. Continue to move towards Pension Fund Investment Strategy mix of investments which has been agreed with the intention of reducing volatility.</p> | Erik Knight | 31/07/2024 | Ongoing |