

Item: 5

Pension Fund Sub-committee: 20 September 2023.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2022/23 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 service areas for which the Pension Fund Sub-committee is responsible, for financial year 2022/23, attached as Annex 1 to this report, indicating a budget deficit position of £53,058,700.

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 financial year 2022/23, 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 appropriate action was taken with regard to significant budget variances.

3. Background

3.1.

On 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resource Committee recommended approval of the detailed revenue budgets for 2022/23 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.

4. Financial Summary

4.1.

The revenue expenditure outturn statement 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 relates to the Council complying with its 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

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 Detail by Service Area

Annex 3: Budget Action Plan

Annex 1: Financial Summary**March 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	28,663.6	(24,395.1)	53,058.7	N/A	(24,395.1)
Service Totals	28,663.6	(24,395.1)	53,058.7	N/A	(24,395.1)

The following tables show the spending position by service function

Pension Fund	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Pensions Fund Operations	1B	(1,644.2)	(351.5)	(1,292.7)	467.8	(351.5)
Pension Fund Admitted Bodies	1B	2,186.1	(668.7)	2,854.8	N/A	(668.7)
Pension Fund Administration		338.9	370.9	(32.0)	91.4	370.9
Pension Fund Investments	1B	27,782.8	(23,745.8)	51,528.6	N/A	(23,745.8)
Service Total		28,663.6	(24,395.1)	53,058.7	N/A	(24,395.1)

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	Pensions Fund Operations	Knight, Erik	Less than anticipated level of benefits drawn down from the fund in the financial year	<p>We have no control over when Local Government Pension Scheme members retire and draw their pension, lump sum of transfer benefits.</p> <p>The situation will be monitored, and any future budget adjustments required will be made accordingly.</p>
R81B	Pension Fund Admitted Bodies	Knight, Erik	A bulk transfer out relating to Highlands and Islands Enterprise took place on 31 March 2023. Lower than anticipated level of transfers out from Fund in the financial year.	We have no control over when or if an admitted body chooses to transfer out to another LGPS.
R81D	Pension Fund Investments	Knight, Erik	The fair value of the Pension Fund's investments fell during the financial year due to political and economic uncertainty.	Continue to monitor the performance of our externally managed fund investments, and which are held as part of an agreed diversified investment strategy.