

Item: 6

Pension Fund Sub-committee: 19 September 2018.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2017 to 2018 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 2017 to 2018, attached as Annex 1 to this report, indicating a budget surplus position of £7,641,100.

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.

3. Introduction

At its Special General Meeting held on 22 February 2017, as part of the budget setting process for 2017 to 2018, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2017 to 2018.

4. Background

4.1.

Individual revenue expenditure monitoring reports are circulated as briefing reports every month to inform committee members of the up to date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees.

4.2.

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.

4.3.

Material variances are identified automatically as Priority Actions within individual budget cost centres according to the following criteria:

- £10,000 and 10% more or less than Anticipated position (1b).
- £50,000 more or less than Anticipated position (1c).

4.4.

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.

4.5.

The details have been provided following consultation with the relevant Executive Directors and their staff. In addition to the variances generated in the current month, the variances reported in previous reporting periods will remain within the Budget Action Plan until these actions have been completed.

4.6.

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.

5. Financial Summary

5.1.

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

5.2.

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.

6. 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.

7. Financial Implications

7.1.

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.

7.2.

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.

7.3.

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.

8. Legal Aspects

Financial monitoring and reporting helps the Council meet its statutory obligation to secure best value.

9. Contact Officer

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@orkney.gov.uk.

10. Annexes

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2017 to 2018

Pension Fund Services	Spend	Budget	Over/Under		Annual
	£000	£000	Spend	%	Budget
			£000		£000
Pension Fund	-31,101.9	-23,460.8	-7,641.1	132.6	-23,460.8
Service Totals	-31,101.9	-23,460.8	-7,641.1	132.6	-23,460.8

Pension Fund	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
				£000		£000
Pensions Administration	1b	-2,207.8	-3,531.7	1323.9	62.5	-3,531.7
Pension Fund Admitted Bodies		-347.8	-330.8	-17.0	105.1	-330.8
Pension Fund Administration		297.4	298.4	-1.0	99.7	298.4
Pension Fund Investments	1b	-28,843.7	-19,896.7	-8947.0	145.0	-19,896.7
Service Totals		-31,101.9	-23,460.8	-7,641.1	132.6	-23,460.8

Pension Fund Statement of Reserves

Opening Balance 1 April 2017	-335,290.6
Financial Year 2017/18 Surplus	-31,101.9
Closing Balance as at 31 March 2018	-366,392.5

Annex 2:**Budget Action Plan**

Pension Fund			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R81A	Pension Fund Operations More than anticipated expenditure by £1,323.9K More members than anticipated have transferred pension benefits out of the scheme by £528K. This has been compounded by a transfer value payment of £258K in respect of Orkney Ferries Ltd. as an admitted body to the Pension Fund. Pensions and spouse's pensions were higher than anticipated by £157K. There was a higher value of lump sums paid out by £381K.	No action required.	G Waterson
R81D	Pension Fund Investments More than anticipated income by £8,947.0K Unrealised gains on the Pension Fund were ahead of target for the financial year 2017/18.	The Pension Fund investments are affected by market fluctuations.	G Waterson