

Item: 7

Pension Fund Sub-committee: 19 September 2018.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 June 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 financial summary statement in respect of Pension Fund services for the period 1 April to 30 June 2018, attached as Annex 1 to this report, indicating a surplus position of £10,775,400.

2.2.

The revenue financial detail by Service Area statement for the period 1 April to 30 June 2018, attached as Annex 2 to this report.

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.

3. Introduction

At the Special General Meeting held on 22 February 2018, as part of the budget setting process for 2018 to 2019, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2018 to 2019.

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 now being presented to individual service committees. This quarterly report replaces the need for a monthly budget briefing this reporting period.

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 financial summary for the period 1 April to 30 June 2018 is attached as Annex 1 to this report.

5.2.

The details by Service Area statement is attached as Annex 2 to this report.

5.3.

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.

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.

8. Legal Aspects

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

9. Contact Officer

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10. Annexes

Annex 1: Financial summary.

Annex 2: Financial details by service area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

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	-15,439.9	-4,664.5	-10,775.4	331.0	-25,501.6
Service Totals	-15,439.9	-4,664.5	-10,775.4	331.0	-25,501.6

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	4	4	4	100%
Totals	4	4	4	100%

Annex 2: Financial Detail by Service Area

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 Administration	1B	-249.0	-651.8	402.8	38.2	-2,600.9
Pension Fund Admitted Bodies	1B	-30.3	-103.4	73.1	29.3	-674.3
Pension Fund Administration	1B	47.7	62.7	-15.0	76.1	303.2
Pension Fund Investments	1B	-15,208.3	-3,972.0	-11,236.3	382.9	-22,529.6
Service Total		-15,439.9	-4,664.5	-10,775.4	331.0	-25,501.6

Annex 3: Budget Action Plan

Pension Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R81A	<p>Pensions Administration</p> <p>Less than anticipated income by £402.8K</p> <p>The overspend is due to a combination of factors:</p> <p>Overspend on pension payments £20k Overspend on transfers out £120k Underspend on retirement lump sums £18k Overspend on death grants £112k Overspend on transfers into the fund £89k Contribution income down by £82k against budget.</p>	<p>Monitor the situation</p> <p>Budget profiles are unable to take account of unpredictable events i.e.</p> <p>a) when employees choose to retire and receive their tax-free lump sum;</p> <p>b) whether or not scheme members choose to transfer their benefits into the LGPS on joining the scheme; and</p> <p>c) whether or not scheme members choose to transfer their benefits out of the LGPS after leaving.</p> <p>The situation will be monitored, and any future budget adjustments required will be made accordingly.</p>	Gareth Waterson	31/07/2018	Ongoing

Annex 3: Budget Action Plan

Pension Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R81B	<p>Pension Fund Admitted Bodies</p> <p>Less than anticipated income by £73.1K</p> <p>The variance is due to the following:</p> <p>The budget set for retirement lump sums for the Towage Company for 2018 to 2019 is £14,700 and retirement lump sums totalling £78,500 have been paid in 2018. Resulting in an overspend of £72k.</p> <p>Orkney Ferries staff received a back dated pay award in April 2018 which meant £7k more in pension contributions being paid into the Pension Fund in May 2018. No retirement lump sums were paid out in April and May 2018 although the budget contains allowance for £4k per month which contributed the underspend of £21k in Orkney Ferries.</p> <p>Plus, the Pickaquoy Centre contributions for June were not received until the first week of July resulting in an overspend of £21k.</p>	<p>Monitor the situation</p> <p>Monitor the situation.</p>	Gareth Waterson	31/07/2018	Ongoing

Annex 3: Budget Action Plan

Pension Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R81C	Pension Fund Administration Less than anticipated expenditure by £15.0K An accrual was done in April 2018 for Audit Scotland's final 2017/18 invoice however the invoice has not yet been received. This has resulted in an underspend.	No action required The underspend will resolve when the invoice is received and paid.	Gareth Waterson	31/07/2018	Ongoing
R81D	Pension Fund Investments More than anticipated income by £11,236.3K Unrealised gains on the Pension Fund managed funds investments are well ahead of target for the year to date.	No action required No action required - the value of investments is affected by market fluctuations in the financial markets over the short term.	Gareth Waterson	31/07/2018	Ongoing