

# Public Document Pack

## ADDITIONAL CIRCULATION



To: Councillor Young, Convener; Councillor Allan, Vice-Convener; and Councillors Cameron, Crockett, Dickson, Donnelly, Jackie Dunbar, Graham, Laing, Malone, McCaig, Milne, Noble, Reynolds and Yuill.

Town House,  
ABERDEEN 2 October 2012

## **FINANCE AND RESOURCES COMMITTEE**

The undernoted items are circulated in connection with the meeting of the **FINANCE AND RESOURCES COMMITTEE** to be held here in the Town House on **THURSDAY, 4 OCTOBER 2012 at 2.00 pm.**

JANE G. MACEACHRAN  
HEAD OF LEGAL AND DEMOCRATIC SERVICES

### **BUSINESS**

#### **FINANCE**

6.3 2012-13 Revenue Budget Monitoring (Pages 1 - 20)

#### **GENERAL BUSINESS**

7.5 City of Aberdeen Hogmanay Celebrations 2012 (Pages 21 - 24)

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## ABERDEEN CITY COUNCIL

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<b>COMMITTEE:</b>	Finance and Resources
<b>DATE:</b>	4 October 2012
<b>DIRECTOR:</b>	Stewart Carruth
<b>TITLE OF REPORT:</b>	Revenue Budget 2012/13 Monitoring
<b>REPORT NUMBER:</b>	CG/12/079

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### 1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to inform Members on the current financial position for the Council and the initial forecast outturn for financial year 2012/13 and to highlight areas of risk and management action that have been identified by directors.
- 1.2. Additionally the report introduces a revised financial reserves strategy.

### 2. RECOMMENDATION(S)

It is recommended that the Committee:

1. note the content of the report;
2. approve the revised financial reserves strategy as appended to the report;
3. instruct Directors to maintain the tight cost control arrangements, that are presently in place, during the remainder of the year to ensure a balanced budget position is delivered; and
4. agree that, subject to future Council approval on the implementation of the transfer of Social Work Services to a Local Authority Trading Company (LATC), the Council will act a guarantor for the North East Scotland Pension Fund in respect of the transferring employees to the LATC.

### 3. FINANCIAL IMPLICATIONS

- 3.1 The early indications are that with expenditure and income for the period to end of July being controlled and the delivery of savings options progressing positively the Council will achieve a balanced budget for the year and enable a contribution of £2 million to the uncommitted General Fund reserve to be made.
- 3.2 Risks do exist, from the potential of non-delivery of savings options in a few areas of the budget to winter / road maintenance costs substantially exceeding budget because of harsh winter weather. Contingency funds

remain uncommitted to the value of £2 million in the General Fund budget and this provides assurance that the forecast outturn can be achieved should a financial consequence arise from the risks that exist.

- 3.3 Where expenditure can be maintained within budget during the remainder of the year and contingencies are not needed then the opportunity exists for the Council to deliver an increased contribution to the General Fund and this continues to be monitored on a monthly basis by the Corporate Management Team. High level financial modelling, combining current expenditure, and budget forecasts along with historic data suggests that further savings can be achieved and it is likely that the final outturn position could be in the region of £5 million.
- 3.4 If the current forecast was achieved in the year then the Uncommitted General Fund balances at year end would be £13.3 million. This is greater than the recommended balance of £11.3 million that the Council has previously set, which is defined as 2.5% of the net revenue budget, and would allow the Council to further de-risk its financial position. This is based on an evaluation of current economic climate and general financial environment in which the Council operates. The revised reserves strategy attached to this report sets out opportunities to enable the Council to earmark the reserves generated by a beneficial outturn position.
- 3.5 In relation to the Pension Fund Guarantee for the Local Authority Trading Company, while no financial implication exists at present - the Trading Company would be responsible for employer contributions to the North East Scotland Pension Fund - should the company cease to exist then all further liabilities would be met by the Council.
- 3.6 The value, should this happen, has been estimated to be £4 million by the actuary in relation to potential unfunded liabilities, although the exact figures would depend on the actual transfer of employees and the timing of the company ceasing to exist.

#### **4. OTHER IMPLICATIONS**

- 4.1 Every organisation has to manage the risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by services and corporately by Members. This report is part of that framework and has been produced to provide an overview of the current operating position.

## 5. REPORT

- 5.1 This is the first opportunity for the Council to consider the overall financial position, with specific reference to the General Fund, for this financial year (2012/13). During the earlier months of the year the Corporate Management Team has received reports on the financial performance and is aware of the current forecast and the risks that exist.
- 5.2 This report considers the forecast outturn for the Council as a whole and this builds upon information and analysis provided to the individual Service Committees that have been considered during the current cycle of meetings.
- 5.3 Information within this report provides a high level expenditure forecast for the consideration of Members and presents actual financial figures to the end of July 2012 and the forecasts based thereon.
- 5.4 Appendix A includes a summary of the overall Council projected position.

### **Financial Position**

- 5.5 In overall terms the statement at Appendix A shows the Council is managing expenditure within the overall budget and the forecast shows that by the year end initial indications are that a contribution to the uncommitted General Fund balance will be possible. The value attached to this at present is £2 million. The under spending represents approximately 0.5% of budget.
- 5.6 The most significant risks and matters arising from the figures that are presented include the following:
- 5.7 Enterprise, Planning and Infrastructure (EP&I) present a favourable variance forecast arising from strong income generation from shared buildings and also improved building warrant application fees, offset by lower than budgeted income in relation to advertising income. Staff costs provide further savings through vacancy management arrangements, while operating costs for vehicle leases and energy budgets are adding to the positive performance. A saving of £1.1 million is forecast as possible.
- 5.8 The key risk for EP&I is in relation to winter maintenance, which is currently forecast to be overspent based on the cost of a mild winter, such as that experienced in 2011/12. Beyond this the service would require a contribution from the Council contingency.
- 5.9 Education, Culture and Sport (EC&S) is forecast to keep expenditure within its budget and is based on a range of small savings across the service portfolio, overall approximately £0.5 million. Specific savings such

as probationer teachers savings and a saving due to the timing of the re-opening of the Tullos Swimming Pool offset costs associated with additional pupil support assistants and out of authority placements, the numbers of which remain volatile. Out of authority placements remain one of the key in-year risks for the EC&S service.

- 5.10 Corporate Governance (CG) also shows a forecast underspend of £0.5 million, this being generated in the main from tight staff and vacancy management, although additional savings are forecast based on supplies and services, property and courses expenditure that has been experienced to date. Income is forecast to be below budget, this arising from recharges for support and shared services.
- 5.11 Social Care & Wellbeing (SC&W) reports that a balanced budget position is achievable, although this is based on cost pressures in the staffing and commissioning of services. Income forecasts are strong particularly through grants and contributions that are now expected and telecare costs are lower than budget providing a positive impact on the overall forecast.
- 5.12 The key risks for SC&W are in relation to the purchasing of care, both the volatility of childrens out of authority placements and the need for care of older people, whether delivered by internal or external services.
- 5.13 Housing and Environment (H&E) forecast that an underspend against budget of £0.3 million is achievable. While savings are anticipated on waste disposal, due to the level of tonnages and costs being better than had been budgeted, this is offset by a shortfall in income in relation to the construction consultancy services, based on activity levels in the first third of the year.
- 5.14 The Corporate budgets which are made up of funding to Joint Boards, Council Expenses and funding set aside for contingencies show a balanced position and within the small overall variance are savings associated with the corporate management and accounting of capital financing costs (£2 million) and an offsetting shortfall in the trading operations surpluses, primarily due to a prudent approach to the surpluses forecast in Building Services and Car Parking.
- 5.15 The contingencies are in addition to the sums that are earmarked against the General Fund balance and provide a degree of protection against unexpected or unplanned expenditure being incurred.
- 5.16 The figures outlined reflect progress on achieving approved budget savings options of approx. £18.5 million which were incorporated into the budget and also assumes that a proportion of the contingencies will require to be used during the year.

### **Management Actions**

- 5.17 As the financial year progresses it is imperative that Services continue to deliver the Priority Based Budgeting saving options that are included within Service budgets. Early indications are that while there are a number of areas of risk Services are working towards full delivery of the options. This positive momentum also needs to be delivered within the context of the Council's 5 year business plan.
- 5.18 Services should be looking ahead with planning and implementation activity being in place to continue to provide robust financial forecasts and to mitigate risks as far as possible.
- 5.19 Further progress reports will be provided to the Committee throughout the year on both the financial position, the risks that exist for the council and the action being taken by management.

### **Reserves Position**

- 5.20 As highlighted in the last report to the Committee the Council has continued to set aside 2.5% of net revenue budget expenditure as uncommitted reserves on the General Fund, with the express intention of ensuring that it can deal with unexpected and unplanned expenditure should the need arise. At a time of continued uncertainty in the wider financial climate and volatility of economic conditions it makes sense to reappraise the position, such that the Council remains prepared for the unexpected.
- 5.21 Attached at Appendix B is a revised Reserves Strategy which sets out the minimum levels that the uncommitted General Fund reserves should hold and reasons for this, as well as identifying and summarising the earmarked resources that are already in place to support the Council position.
- 5.22 It reveals that there could be opportunities to increase the uncommitted balances in the General Fund if the funds were available and if there was need to address either additional or higher rated risks and that this should be considered regularly.
- 5.23 Additionally there is a level of financial risk that exists in relation to the overall 5-Year Business Plan and the unknown factors that may affect the assumptions and financial plan modelling in the coming years, as well as the funding settlement covering only 2 of the next 5 years with any certainty. As such it is recommended a further earmarked reserve should be created using the favourable forecast outturn that exists and could further be achieved if contingencies are not utilised during the year or if the Business Rates Incentivisation Scheme does generate additional funding for the Council.

- 5.24 Further quantification and identification of the detail will be presented as part of the annual revenue and capital budget setting processes.

**Pension Fund Guarantee – Local Authority Trading Company**

- 5.25 A range of risks, such as those already mentioned in this report, place potential financial impact on the Council and an area where the Council has taken its responsibility seriously, handling both the administration of the North East Scotland Pension Fund (NESPF) and being a pension fund employer, is that of pension guarantees.
- 5.26 As the administering authority for the NESPF the Council is responsible for the prudent governance and management of the Pension Fund in the interest of all scheduled and admitted bodies.
- 5.27 As the administering authority, Aberdeen City may admit a body to the Pension Fund as ‘an admitted body’ providing:
- a) The organisation can confirm that they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest, whether because the operations of the admission body are dependent on the operations of the Scheme employer or otherwise;
  - b) The Scheme employer is prepared to act as a Guarantor in the event that the admitted body should cease to exist. If this situation were to occur and staff were made redundant, the staff over the age of 50 would become entitled to immediate payment of their pension benefits. This would create a cost to the Pension Fund as the pension benefits would have to be paid prior to normal retirement age. This cost is known as the ‘strain on the fund’ and as from 1 April 2001 has become a charge to the Scheme employer.
- 5.28 In the event that the Council gives approval for the transfer of staff to the Social Care Services Local Authority Trading Company (LATC) it is recommended that the Council also acts as Guarantor to ensure that the admission conditions are met.
- 5.29 While no costs arise at this time, or indeed the time of transfer of staff to the LATC, costs would become due if the LATC were thereafter to cease to exist.
- 5.30 It is worth noting that the Council has a number of Guarantees in place for similar admitted bodies, such as Sport Aberdeen, Aberdeen Sports Village and Aberdeen Performing Arts. Future guarantees may require to be put in place, in relation to current work on the transfer to staff to the Limited Liability Partnership.



## **6. SERVICE & COMMUNITY IMPACT**

- 6.1. As a recognised top priority the Council must take the necessary measures to balance its budget. Therefore, Services are expected to work within a financial constraint as defined by their annual budgets.
- 6.2. Opportunities to balance the budget will be identified by each Director and reported as necessary through the relevant service committee.

## **7. REPORT AUTHOR DETAILS**

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## **8. BACKGROUND PAPERS**

Financial ledger data extracted for the period, and service committee reports on financial monitoring;

## APPENDIX A

### ABERDEEN CITY COUNCIL 2012/13

### FINANCIAL MONITORING

As at end of July 2012	Year to Date			Forecast to Year End			
Accounting Period 4	Full Year Revised Budget £'000	Revised Budget £'000	Actual Expenditure £'000	Variance Amount £'000	Forecast Outturn £'000	Variance Amount £'000	Variance Percent %
<b>Services</b>							
Office of Chief Executive	1,167	467	602	135	1,152	(15)	(1.29%)
Corporate Governance	28,573	10,498	10,028	(470)	28,055	(518)	(1.81%)
Enterprise Planning and Infrastructure	52,042	14,837	13,568	(1,269)	50,940	(1,102)	(2.12%)
Housing and Environment	37,001	11,199	11,123	(76)	36,684	(317)	(0.86%)
Education Culture and Sport	173,743	57,677	53,711	(3,966)	173,238	(505)	(0.29%)
Social Care and Wellbeing	121,966	40,470	40,599	129	121,881	(85)	(0.07%)
<b>Total Service Budgets</b>	<b>414,492</b>	<b>135,148</b>	<b>129,631</b>	<b>(5,517)</b>	<b>411,950</b>	<b>(2,542)</b>	<b>(0.61%)</b>
<b>Total Corporate Budgets</b>	<b>37,183</b>	<b>11,134</b>	<b>9,898</b>	<b>(1,236)</b>	<b>37,482</b>	<b>299</b>	<b>0.80%</b>
<b>Total Net Expenditure</b>	<b>451,675</b>	<b>146,282</b>	<b>139,529</b>	<b>(6,753)</b>	<b>449,432</b>	<b>(2,243)</b>	<b>(0.50%)</b>
<b>Funding:</b>							
<u>Government Support-</u>							
General Revenue Grant & Non-Domestic Rates	(343,964)	(114,655)	(112,184)	2,471	(343,891)	73	0.02%
<u>Local Taxation-</u>							
Council Tax & Community Charge Arrears	(107,711)	(35,904)	(40,009)	(4,105)	(107,723)	(12)	(0.01%)
<b>Total Funding</b>	<b>(451,675)</b>	<b>(150,559)</b>	<b>(152,193)</b>	<b>(1,634)</b>	<b>(451,614)</b>	<b>61</b>	<b>0.01%</b>
<b>Net Impact on General Fund (Surplus)/Deficit</b>	<b>0</b>	<b>(4,277)</b>	<b>(12,664)</b>	<b>(8,387)</b>	<b>(2,182)</b>	<b>(2,182)</b>	
Transfer to / (from) Earmarked GF Reserve	0	0	0	0	0	0	
Transfer to / (from) Uncommitted GF Reserve	0	0	0	0	2,000	2,000	
<b>Net Impact on Budget (Surplus)/Deficit</b>	<b>0</b>	<b>(4,277)</b>	<b>(12,664)</b>	<b>(8,387)</b>	<b>(182)</b>	<b>(182)</b>	

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	Balance at 1/4/12	%age of Net Budget	Projected Movement in Year	Projected Balance at 31/3/13	%age of Net Budget
Earmarked General Fund Reserve	(17,132)		0	(17,132)	
Uncommitted General Fund Reserve	(11,290)	2.50%	(2,000)	(13,290)	2.94%
Budget (Surplus)/Deficit Unallocated	0		(182)	(182)	
<b>Total General Fund</b>	<b>(28,422)</b>		<b>(2,182)</b>	<b>(30,604)</b>	

## Aberdeen City Council

## Strategy – Revenue and Capital Reserves

**Executive Summary**

The requirement to retain and manage financial reserves is a critical element of robust financial management and has a basis in statute.

The Council, using a risk based approach to retention of uncommitted balances and taking account of known financial commitments in future years currently has reasonable sums held for use or set aside in the event of unexpected or unplanned commitments.

A summary of General Fund Reserves and other Statutory Reserves (excluding Housing Revenue Account Reserves) is as follows:

	<b>As at 31 March 2012</b>
	£m
<b>REVENUE RESERVES</b>	
General Fund Reserve – Uncommitted	(11.290)
General Fund Reserve – Earmarked:	
- for Schools	(2.400)
- for Community Centres	(2.300)
- for Projects	(9.711)
- for Contingent Risks	(2.843)
- for Financial Risks	(0.000)
- for Grants carried forward	(2.829)
Insurance Fund	(1.605)
City Improvement Fund	(0.335)
Lord Byron Fund	(0.005)
<b>CAPITAL RESERVES</b>	
Capital Fund	(19.890)
<b>TOTAL RESERVES</b>	<b>(53.208)</b>

Creating an earmarked reserve to address financial risks in relation to the 5-Year Business Plan and arising from the range of demands, needs, cost pressures and efficiencies the creation of an earmarked reserve to address financial risks will mitigate them to a certain extent.

Further work in relation to quantifying and identifying specific issues will be undertaken as part of the annual revenue and capital budget setting processes and reflected in the revised 5-Year Business Plan.

At the present time the Council remains in a strong position with Reserves available if they are required and sums set aside to deliver specific projects.

Head of Finance, October 2012

## **Background**

1. The requirement for financial reserves is acknowledged in statute. Section 93 of the Local Government Finance Act 1992 requires Scottish authorities, in calculating the council tax, to take into account 'any means by which those expenses may otherwise be met or provided for'. This includes reserves.
2. In Scotland there are explicit statutory powers under schedule 3 of the Local Government (Scotland) Act 1975 permitting certain local authorities to establish a renewal and repair fund, and insurance fund and a capital fund alongside a requirement to maintain a general fund (s.93 of Part VII of the Local Government (Scotland) Act 1973). Separate reserves can be established in Scotland only where there are explicit statutory powers. Scottish local authorities may however ' earmark ' specific parts of the General Fund reserve.
3. There are other safeguards in place that help to prevent authorities over-committing themselves financially. These include:
  - The balanced budget requirement (Local Government Finance Act 1992 s93).
  - Legislative requirement for each authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer has responsibility for the administration of those affairs (s.95 of the Local Government (Scotland) Act 1973).
  - The requirements of the Prudential Code
  - Auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.
4. Whilst it is primarily the responsibility of the authority and its chief financial officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.
5. CIPFA's Prudential Code requires the chief finance officers in authorities to have full regard to affordability when making recommendations about the authority's future capital programme. Such consideration includes the level of long-term revenue commitments. Indeed, in considering the affordability of its capital plans, the authority is required to consider all of the resources available to it/estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years. There is a requirement for three-year revenue forecasts across all authorities and this is achieved through the 5-year Business Plan. This

provides ability to focus on the levels of reserves and application of authority balances and reserves.

6. Within the existing statutory and regulatory framework, it is the responsibility of the chief financial officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
7. CIPFA and the Local Authority Accounting Panel do not accept that there is a case for introducing a generally acceptable minimum level of reserves. Authorities on the advice of their chief finance officers should make their own judgements on such matters taking into account all relevant local circumstances. Such circumstances will vary between authorities. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but also are necessary.
8. Imposing a generally applicable minimum level would also be counter to the promotion of local autonomy and would conflict with the financial freedoms introduced for Scottish authorities in the Local Government in Scotland Act 2003. Nor is it considered appropriate or practical for CIPFA, or other external agencies, to give prescriptive guidance on the minimum (or maximum) level of reserves required, either as an absolute amount or a percentage of budget.

### **Current Financial Climate**

9. The pressures on public finances over the next few years are expected to remain intense. Therefore, the ability to retain reserves for unforeseen events and circumstances become not only difficult, but something that requires careful consideration.
10. Uncertainty remains a feature of the overall economic climate and new schemes such as the Business Rates Incentivisation Scheme (BRIS) are unproven in what benefits may be available to Aberdeen.
11. The Council has an ambitious 5 year business plan in place that requires substantial savings to be delivered during the period. There are inherent risks in delivering the level of savings required and as such the Council needs to look to continue its work to protect and prepare for the uncertain future.
12. Audit Scotland produced in March 2012 a national report on the Challenges and change in 2012 that faces Scottish Local Government and there are clear messages of substantial long and short term factors that will have a significant impact on the Council's service delivery priorities and cost base.

A local evaluation of the issues raised in the report is included at Appendix A.

13. Other known challenges that will impact on the Council beyond this financial year include the national Welfare Reform changes and the changes to the provision of Police and Fire & Rescue services, currently delivered at a Grampian area level.
14. In a national and global context the complexity and fluctuation of financial markets, particularly in Europe, adds to the potential impact that could be felt on the financial resources available to the council to delivery services to the citizens of Aberdeen.

### **Types of Reserve**

15. When reviewing the medium term financial plans and preparing the annual budgets authorities should consider the establishment and maintenance of reserves. These can be held for four main purposes:
  - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.
  - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.
  - A means of building up funds often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general reserve.
  - The economic climate and the safety of the Council's financial assets. This would link closely with the Council Treasury Management and Prudential Code Strategies.
16. Authorities also hold other reserves that arise out of the interaction of legislation and proper accounting practice. These reserves, which are not resource-backed and cannot be used for any other purpose, are listed below:
  - The Pensions Reserve
  - The Revaluation Reserve
  - The Capital Adjustment Account
  - The Available-for-Sale Financial Instruments Reserve
  - The Financial Instruments Adjustment Reserve
  - Accumulated Absences Adjustment Account

17. Other such reserves may be created in future where developments in local authority accounting result in timing differences between the recognition of income and expenditure under proper accounting practice and under statute or regulation, such as the Capital Grants Unapplied Account.
18. In addition authorities may hold a Capital Fund. This reserve holds the proceeds from the sale of assets, and can only be used for capital purposes in accordance with the regulations. The Council maintains a Capital Fund.
19. For each earmarked reserve held by the authority there should be a clear protocol setting out:
  - The reason for/purpose of the reserve
  - How and when the reserve can be used
  - Procedures for the reserves management and control
  - A process and timescale for review of the reserve to ensure continuing relevance and adequacy
20. When establishing reserves, authorities need to ensure that they are complying with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.

### **Aberdeen City Council Reserves**

21. This document aims to provide an over-arching strategy that defines the boundaries within which the approved budget and 5-Year Business Plan operate.

### **The General Fund (excluding Housing Revenue Account Reserves)**

22. It has previously been agreed by the Council that the General Fund will retain an uncommitted balance at a level of no less than 2.5% of the total net revenue budget; at 1 April 2012 this amounted to £11.290 million.
23. The purpose of this reserve is to provide for any unexpected expenditure that cannot be managed within existing budgets. Such expenditure would be one-off and resulting from an extraordinary event.
24. Similarly the General Fund should be set at a prudent and not excessive level, as holding high level of reserves can impact on resources and performance. While no maximum has been set it is important to regularly consider the level of risks that are known and give consideration to the potential internal and external factors that may impact on the ability of the Council to delivery its strategic objectives, and to be financially prepared.

25. As the net budget position changes the level of General Reserve must be monitored to ensure the minimum level is maintained. This is particularly relevant where revenue carry forwards are identified as part of the year-end process.
26. Appendix B details the elements that make up the current General Fund uncommitted reserve and the levels of risk attached to each of these elements. These are indicative and may not be exhaustive as new risks emerge.

### **The General Fund - Earmarked Reserves**

27. Unlike the General Fund uncommitted balance, earmarked reserves have been identified for specific areas of expenditure where there are anticipated costs that can only be estimated. It is therefore prudent for the authority to identify such areas of expenditure and set aside amounts that limit future risk exposure.
28. Such expenditure usually arises out of specific projects and work that continues over a period of more than one year, where identifiable risks exist, where an specific Council policy exists (such as the Devolved Education Management scheme) or where accounting treatment dictates that sums must be treated as such (for example unspent grants and contributions that have no repayment conditions).
29. Appendix C details each of the earmarked reserves that existed at the start of the 2012/13 financial year, following the completion of the 2011/12 audit.
30. Expenditure relating to earmarked reserves has to specifically relate to the purpose of the reserve, and new earmarked reserves can be created, normally occurring at year end as part of the year end review processes or during the annual budget setting process.
31. In preparing for the period ahead and in advance of full consideration of the revised 5-year Business Plan and annual Budget setting for 2013/14 there is an acceptance that the potential risks arising from a number of the factors highlighted in the 'Summary of Demand and Cost Pressures' at Appendix A are as yet uncertain in nature. Add to this the degree of certainty that the Council has in relation to its funding settlement, only available for the next 2 year period to March 2015, and there are a number of factors that should, where circumstances present themselves, be cash-backed to mitigate the impact. It is proposed that through the management of the 2012/13 revenue budget and the additional benefits that may be obtained from avoiding the use of contingency budgets or from additional funding streams, that an earmarked reserve is created to address some of the risks that exist in relation to the 5-year Business Plan.



32. In line with the current forecast outturn for 2012/13 it is intended that budget savings will be added to this reserve, subject to the review of all earmarked reserves and necessary amendments made thereafter.
33. The 5-Year Business Plan has a risk assessed approach to the achievement of savings and towards the cost pressures that the Council faces. As such this reserve would be the first call for balancing the accounts should the relevant circumstance arise.

### **Other Statutory Funds**

34. Appendix D provides a summary of the other Statutory Funds that are held by the Council, as at 31 March 2012.

### **Monitoring**

35. The level of Reserves is kept under continuous review. Members receive reports on the levels of reserves as part of the annual budget setting process, the preparation of the annual Statement of Accounts and at other times should circumstances require it.

### **Risk Analysis**

36. Any recommendations that change the planned use of Reserves reported within the Annual Budget will take account of the need for service delivery balanced against the need to retain prudent levels of Reserves.
37. However, there are significant risks, which affect the level of reserves to be maintained, and it is for this reason that a minimum level of uncommitted General Fund Reserves of 2.5% (valued at 31 March 2012, £11.3 million) with a risk based maximum level of £27 million – see Appendix B.
38. The significant risks that have been considered, but which will also be kept under review are:
  - The anticipation of considerable cost pressures, pay and prices, demand and need, as well as changes resulting from national policy, such as Welfare Reform, that may have a significant impact on the need for use of reserves.
  - The potential impact of further changes to funding and financial resource availability from the current financial climate.
  - The instability of the Financial Markets means that the investments we make with balances are currently exposed to greater risk.
  - The challenges of the current 5-Year Business Plan and the extent to which efficiencies and alternative ways of working have on delivering a balanced and sustainable revenue budget position.

## **Strategy Review**

39. This strategy will be reviewed annually.
40. During the year changes may occur in the 5-Year Business Plan, which affect this strategy. Such changes will be monitored by the Head of Finance and reported to members.

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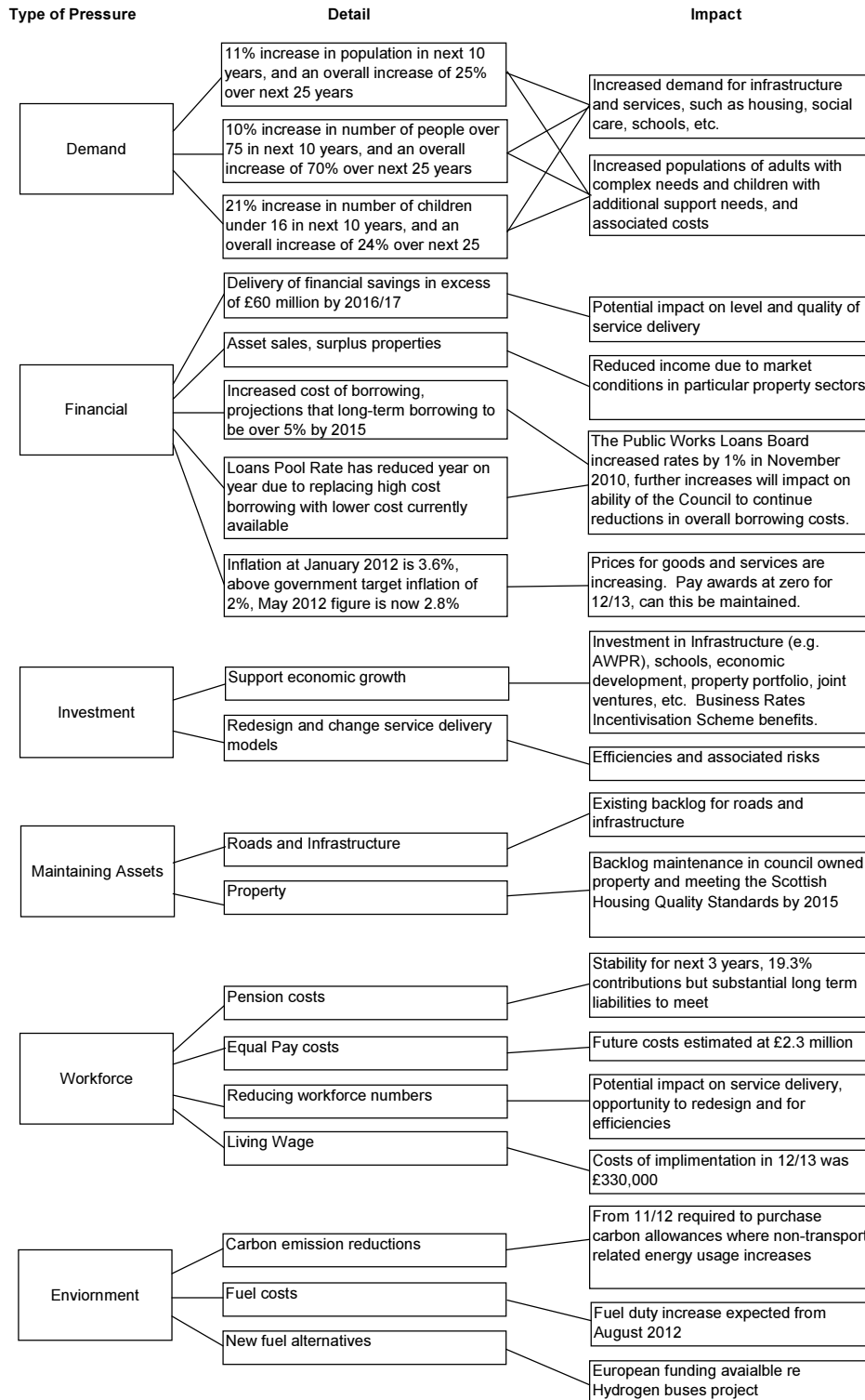
## **REFERENCES**

CIPFA, LAAP Bulletin 77 'Local Authority Reserves and Balances', November 2008

Document Name : ACC Reserves Strategy 2012 v2.doc

**Summary of Demand and Cost Pressures**

An extract from Audit Scotland Report 'An overview of local government in Scotland : Challenges and Change in 2012' updated to reflect local Aberdeen City Council issues



Reserves Risk Assessment 2012-13GENERAL FUND – UNCOMMITTED RESERVE

RISK	IMPACT	PROBABILITY	Min £m	Max £m	Proposed for 2012-13 £m
Major Incident(s) Unbudgeted expenditure	Potential unplanned expenditure in support of specific circumstances.	Single Incident amounting to less than 1% of net budget. <b>MEDIUM</b> Multiple incidents amounting to over 1% of net budget. <b>LOW</b> Single incident amounting to over 1% of net budget. <b>LOW</b>	4.5	9.0	4.5
Major Disaster (e.g. natural)	Service delivery affected and resources diverted. (e.g. through buildings being inaccessible and disaster recovery plan being actioned)	<b>LOW</b>	2.5	4.0	2.5
Counterparty failure	If invested balances were tied up in a process to recovery there would be an immediate impact on the revenue budget (possibly short term).	<b>LOW</b>	2.0	5.0	2.0
General Financial Climate	Wider knock-on effects of financial market changes, recession and / or lower growth and the consequential impact on UK and Scottish budgets.	<b>LOW to Medium</b>	2.3	9.0	2.3
<b>TOTAL</b>			<b>11.3</b>	<b>27.0</b>	<b>11.3</b>

**GENERAL FUND – EARMARKED RESERVES**

	<b>Balance at 31 March 2012 £000</b>	<b>Purpose of the Earmarked Reserve</b>
<b>General Fund:</b>		
Energy Efficiency Fund	(277)	Pump-prime funding for energy saving schemes
Queens Links Reinstatement Fund	(102)	Historic fund in relation to potential reinstatement work at beach
Devolved Education Management	(4,700)	School funds c/forward £2.4 m; and Community Education Centres £2.3 m
Road Repairs	(129)	Road repair and maintenance additional sum approved by Finance & Resources
'The Green' Townscape Project	(507)	Match funding in relation to the Heritage Lottery Funding awarded for works in the Green
City Development Company	(1,345)	Funding for the City Development Company start-up
De-risk the Council	(2,843)	Cash backing for Council guarantees to external organisations
Revenue Grants Unspent	(2,829)	Various revenue grants that remained unspent at year end to which no repayment conditions apply
Windfarm setup	(100)	Professional fees for legal advice, business case consultancy and client advisor services
Zero Waste Fund	(734)	Unspent money from Zero Waste Fund, East Tullos project is well under way but has not yet been completed
Mobile Working	(85)	Implement mobile working for field staff in Trading Standards/Environmental Health
Waste Strategy	(75)	Reviewing existing waste strategy
Clashieknowe	(200)	Contribution to refurbishment project led by Housing and Environment
OT Store	(171)	Refurbishment at Whitemyres
Business Plan Service Option	(4,164)	Continued investment regarding delivery of 5 year business plan carried forward from 2011/12
TIF Business Case	(300)	Funding to support the city centre regeneration scheme and final bid submission to the Scottish Futures Trust
City of Culture Bid	(557)	To enable preparation of the City of Culture Bid (2017)
ICT Projects	(965)	Implement various approved ICT projects
<b>Total General Fund – Earmarked</b>	<b>(20,083)</b>	

All figures exclude Reserves associated with the Housing Revenue Account

## APPENDIX D

### OTHER STATUTORY FUNDS

<b>Name of Fund</b>	<b>Balance at 31 March 2012 £000</b>	<b>Purpose of the Statutory Fund</b>
<b>Capital</b>	(19,890)	To meet the capital expenditure and the repayment of the principal on loans.
<b>Insurance</b>	(1,605)	To meet the cost of uninsured claims.
<b>City Improvement</b>	(335)	To meet the cost of carrying out improvements to the city as decided by the Council.
<b>Lord Byron</b>	(5)	To meet the costs of maintaining Lord Byron's statue
<b>Total Statutory and Other Funds</b>	<b>(21,835)</b>	

## ABERDEEN CITY COUNCIL

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COMMITTEE	Finance & Resources Committee
DATE	4 October 2012
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	City of Aberdeen Hogmanay Fireworks Celebrations 2012
REPORT NUMBER:	EPI/12/229

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### 1. PURPOSE OF REPORT

Following E P & I Committee on 11 September where a further report was requested which identifies funding to deliver the Hogmanay Fireworks Celebrations in December 2012, this report seeks Committee approval of the recommendations detailed below to confirm available monies from the Common Good Fund and supports plans aimed at providing the city with a new Hogmanay event in 2013.

### 2. RECOMMENDATION(S)

1. To recognise the city's desire to include a Hogmanay event in its Festivals and Events programme in support of Aberdeen's bid for UK City of Culture.
2. To confirm Committees approval of £50,000 from the Common Good Fund to deliver Aberdeen's Hogmanay Fireworks Celebrations in December 2012.
3. To confirm Committees support of the resource requirements to deliver this event and agree that suitable remuneration be provided to the staff concerned to ensure that Aberdeen City Council meets its health, safety and legal requirements when organizing and delivering this event.
4. To note that Officers will submit a report to E P & I Committee before end February 2013, assessing the potential for a 2013 event and requesting approval of an appropriate budget to deliver a safe, inclusive and enjoyable family event in 2013.

### 3. FINANCIAL IMPLICATIONS

Detailed below are the costs associated with delivery of the 2012 Hogmanay fireworks event:

Temporary Traffic Restriction Order (TTRO)	£ 750.00
Provision and firing of fireworks	£10,000.00
Music Hall welfare room hire	£ 300.00
HMT-Hire of firing venue	£ 300.00
Building Projection-Countdown Clock	£ 2500.00
Steward Service	£14,000.00
Ambulance & Emergency Staff Cover	£ 2,000.00
Traffic Management	£10,000.00
Staffing	£ 5,000.00
Photographer	£ 300.00
Medical Provision	£ 740.00
Street Clean	£ 500.00
Advertising & Promotion	£ 2,000.00
<b>Total</b>	<b>£48,390.00</b>

#### 4. OTHER IMPLICATIONS

Due to the sponsorship monies provided in 2011, an external contractor was appointed to deliver Hogmanay. This same delivery model would have been applied to the 2012 event before the sponsor advised of its desire to withdraw its support.

As a result the Hogmanay celebrations have not been included in the City Events Team work programme for 2012-13, therefore no identified resource currently exists within the team to manage and deliver this event.

#### 5. BACKGROUND/MAIN ISSUES

On the 15<sup>th</sup> March 2011, the Enterprise Planning & Infrastructure Committee agreed the programme of City Events for 2011-12, in line with budget savings required to be met from the Economic & Business Development Service. As a result of these budget savings the existing Hogmanay Fireworks event was cancelled resulting in a saving of £50,000.

Following committee's decision, an approach was made by Rainbow City Taxis & Central Coaches in August 2011, to provide financial support of £30,000 towards the delivery of the event for two years.

Aberdeen City Council met the shortfall associated with the delivery of the event in 2011 but confirmed that additional external funding would require to be sought in 2012 to ensure the events continued organisation.

Having considered their support of the event in 2011, the sponsor subsequently advised Aberdeen City Council that it would not be continuing with its support of the fireworks in 2012.



Following discussion on the Hogmanay report presented to E P & I Committee on the 11 September 2012, Committee decided that monies should be identified to secure the delivery of the Hogmanay Fireworks Celebrations in 2012 and agreed that a further report on a new family orientated Hogmanay event in 2013 should be presented to a future Committee for consideration.

Due to the tight timescales involved to secure the necessary Hogmanay suppliers through public procurement, the City Events Team has reviewed their existing Aberdeen's Winter Festival event programme and personal commitments during the Christmas leave period to support the delivery of this event with their existing knowledge and expertise.

Committee should be aware that due to the reduced working week of the Senior City Events Officer in advance of his retirement, external specialist event agency staff will be utilised to support the delivery of other events in the Aberdeen's Winter Festival to free up existing resources to deliver the Hogmanay Fireworks Celebrations.

Under delegated powers, discussions have commenced with Aberdeen City Council's employment agency to identify temporary agency staff with relevant skills and experience, so support is available during the planning and delivery of Aberdeen's Winter Festival and subsequent events until the Senior City Events Officers retirement in March 2013.

Senior officers with the relevant skills and event management experience will also require to be deployed to ensure the safe and efficient delivery of the event for the public's enjoyment.

Committee should note that Aberdeen City Council's current overtime policy only supports officers remuneration up to a rate of G13. To ensure the appropriate officers are available to support the delivery of the Hogmanay event, Committee are asked to support the need for appropriate arrangements to be put in place to facilitate the remuneration of staff above G13 level through the temporary suspension of this policy for this one-off occasion, or approve appropriate relevant ex-gratia payments to staff affected by this policy.

The Economic & Business Development service recognises Aberdeen City Council and the city's desire to deliver an event at Hogmanay in support of the UK City of Culture bid and would seek to revisit the proposed event offering for 2013, with the aim of making it a more family focused event.

Working in conjunction with other city organisations, including the Aberdeen BID and local venues, the City Events Team would look to utilise available resources to deliver a new inclusive offering that would be staged across the course of the day and link to events planned to support the night time economy.

## 6. IMPACT

### Corporate

#### *Aberdeen – the Smarter City*

- We will promote Aberdeen as a great place to live, bring up a family, do business and visit.
- We will ensure that Union Street regains its position as the heart of the city and move cultural activity centre-stage through re-invigorated cultural leadership.

#### *Smarter Living ( Quality of Life)*

- We aspire to be recognised as a City of Culture, a place of excellence for culture and arts by promoting Aberdeen as a cultural centre hosting high quality diverse cultural events for the whole community and beyond.

#### *Smarter Economy (Competitiveness)*

- We will work with partners to promote the city as a place to invest, live, work and export from.

#### *Community Plan*

- Work with other organisations, agencies and groups, including Visit Scotland and Visit Aberdeen, to encourage tourism and the provision of facilities for tourists.

## 7. BACKGROUND PAPERS

No background papers have been supplied in support of this report.

## 9. REPORT AUTHOR DETAILS

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