

ABERDEEN CITY COUNCIL

COMMITTEE	City Council Budget Management
DATE	10th February 2011
DIRECTOR	Stewart Carruth
TITLE OF REPORT	Common Good Budget –2011/12 to 2013/14
REPORT NUMBER:	CG/11/016

1. PURPOSE OF REPORT

This report is to submit for the Council's consideration the draft Common Good Budget for 2011/12, along with indicative budgets for 2012/13 and 2013/14.

2. RECOMMENDATION(S)

It is recommended that the Council: -

- a) Consider the detailed Common Good Budget for 2011/12, set out at Appendix 1 and the forecast Cash Balances position;
- b) Approves a Common Good Budget, taking into consideration:-
 - 1) Any proposals to amend the draft budget as stated in (a)
 - 2) Any decisions arising out of consideration of items referred to the budget process (at Appendix 7)
 - 3) Council's approval of the General Fund budget
 - 4) The impact of the above on Cash Balances

3. FINANCIAL IMPLICATIONS

3.1 The Report outlines proposals for the Common Good Budget for the year to 31 March 2012 and indicative figures for the succeeding two years.

3.2 It also provides details of the recommended minimum cash balances required to be held on the Common Good after they are adjusted for inflation using the Consumer Price Index (CPI) to maintain their value.

4. OTHER IMPLICATIONS

4.1 If funding is not provided for projects/external organisations then they may not be able to continue their work.

5. BACKGROUND/MAIN ISSUES

Introduction

- 5.1 In preparing a draft Common Good Budget for the three years 2011/12 to 2013/14, the strategy approved by the Finance Monitoring Sub-Committee of 24 August 2004 has been applied. The calculation of an indicative Cash Balance using the CPI as part of the budget setting process has been adopted as an underlying principle.
- 5.2 Included in the Common Good budget for 2008/09 was £450K of expenditure approved by Resource Management Committee on 18th January 2008 relating to the Greenfern Development Site. While the Common Good has adequate cash funds to meet this expenditure it will put pressure on the maintenance of the recommended minimum cash balances, pending the recouping of this expenditure at the completion of the project.
- 5.3 In view of this, where indicative cash balances are shown in this report they have been reduced by £450K in respect of this to allow meaningful comparisons. The adjustment for Greenfern Development has also been uplifted in line with CPI to allow for the maintenance of its value
- 5.4 The CPI figure has been taken as 3.0 % for 2011/12, 1.8% for 2012/13 and 2.3% for 2013/14 in accordance with forecast figures supplied by the Bank of England. It is estimated that the following indicative levels of Cash Balances would be required to maintain the value of the Cash Funds in the Common Good:

As at:	
31 March 2012	£4.9M
31 March 2013	£5.0M
31 March 2014	£5.1M

5.5 A report on the origin, history and purposes to which the Common Good may be used was prepared on 15th January 1976, by the then Town Clerk of the City of Aberdeen District Council. The report outlined the following purposes as meeting the required criteria: -

- Upholding the dignity of the City.
- The prudent management, upkeep and improvement of Council Property which forms part of the Common Good.
- Safeguarding the corporate rights of the community and defending its interests.
- Granting of donations to public institutions or charities, providing it is in the interests of the general public of the city.
- Any other purpose, which is in the bona fide and reasonable judgement of the Council, is for the good of the community as a whole or which the inhabitants at large may share.

5.6 It was also outlined that the prime purpose of the Council is to ensure that the Common Good is prudently conserved.

5.7 In addition, recent practice has excluded any activity from receiving assistance from the Common Good for which Aberdeen City Council or any other public body has a statutory duty to support.

Draft Budget 2011/12 to 2013/14

5.8 In setting the Common Good budget appropriate input has been provided by external bodies supported by the Common Good and the various officers responsible for the different expenditure and income lines.

5.9 An outline of indicative budgets for 2011/12 to 2013/14 is provided at Appendix 8. In building these figures the following broad assumptions have been made in addition to that outlined in paragraphs 5.4.

- Staffing costs rises have not been included in the budgets which is consistent with the assumptions used in the General Fund.
- Average Interest rates reflect the projections currently being made by Sector enabling a 2.75% return on investments by 31 March 2014.
- Rental income is based on projections provided by Asset Management, Enterprise, Planning & Infrastructure.

- 5.10 Based on the figures attached it can be seen at Appendix 8, subject to review, that the cash balances would be £5.2M at March 2013 and 2014 compared to the preferred levels of £5.0M at March 2013 and £5.1M at March 2014. The Cash Balance position is outlined further in paragraphs 5.18 and 5.19.

Projected Out-turn 2010/11

- 5.11 In order to project the cash balance position for the period 2010/11 to 2012/13 it has been necessary to review the estimated Cash Balances as at 31 March 2011. Taking account of current expenditure levels and expected expenditure for the remainder of the year the forecast figure for Cash Balances as at 31 March 2011 is currently £5.3M as detailed in Appendix 1.
- 5.12 The favourable movement of £21K comparing budget to out-turn is broken down in Appendix 5.

Draft Budget 2011/12

- 5.13 The attached Appendices 1 to 8 provide detailed information in regard to proposals for the Common Good Draft Budget for 2011/12 along with Estimated Out-turn Results for 2010/11 compared to the budget position for 2010/11.
- 5.14 Details of the variances between 2010/11 Budget and Out-turn and 2010/11 Budget and 2011/12 Budget are given in Appendices 5 and 6.
- 5.15 The draft 2011/12 Budget (Appendix 1) shows a projected net expenditure of £95K. In addition at Appendix 7 there are potential bid items that are not built into the draft Budget and are for members' consideration.
- 5.16 In addition to outlining proposals for the Common Good Budget for the year to 31 March 2012 indicative figures for the succeeding two years are provided at Appendix 8.

Items Referred to the Budget Process

- 5.17 There are several items which have to be considered as part of the budget process, full details of these are provided at Appendix 7 and a summary of the budget position if they were all to be agreed is shown at Appendix 9.

Cash Balances

- 5.18 This report also provides details of the recommended minimum cash balances required to be held on the Common Good after they are adjusted for inflation using the CPI to maintain their value. Based on the budget projections for 2011/12 to 2013/14 there are projected cash balances of £5.2M as at 31 March and 2014 which would be some £22K above the indicative level required to maintain the Common Good.
- 5.19 It is recommended that the strategy for 2011/12 should be to limit expenditure to a level, which will result in cash balances at the end of the financial year being above the indicative value of £4.9M. This is necessary in order to assist with the maintenance in future years of cash balances at CPI levels, after taking account of projected expenditure in those years. In addition as funds presently invested in the money market mature, consideration should to be given to other investment mediums, including property to ensure the best return on investment is being achieved.
- 5.20 It is the duty of the Council as trustees of the Common Good to ensure that the Cash Balances are maintained, and the Common Good is preserved for future generations.
- 5.21 Net expenditure from the Common Good has traditionally been looked at on two levels. Firstly the position after recurring income and expenditure has been accounted for and secondly after non-recurring income and expenditure has been accounted for.
- 5.22 As can be seen in Appendix 8 the position after recurring expenditure is in a deficit position from 2011/12 onwards. The reason for this is that long-term commitments now exceed income levels as a result of inflationary pressures and the addition of new commitments over time
- 5.23 However there are expected benefits to come from the Greenfern Development which have not been finally quantified. The timing of this project will be affected by the present economic situation, but significant income is still expected, post new local development plan. The impact of this and the alternatives to investing cash will be considered as part of the financial management strategy for the Common Good once the financial details of the Greenfern project are finalised.

6. IMPACT

- 6.1 It is essential that the value of the Common Good is preserved in such a way that it continues to be able to support the wide range of artistic and other ventures it presently does, in the long term.

7. BACKGROUND PAPERS

None

Index to Appendices and Reports


Appendix No.	<i>Description</i>
1	Common Good Draft Revenue Budget 2011/12
2	Analysis of Misc. and General Income and Expenditure Headings
3	Donations, Grants, Contributions etc (Line 4)
4	Other Projects (Line 17)
5	Variances 2010/11 Budget to out-turn – Recurring Items
6	Variances 2011/12 Budget to 2010/11 Budget – Recurring Items
7	Items to be referred to the budget process
8	Draft Revenue Budgets – 2011/12, 2012/13, 2013/14
9	Summary of Budgets after Recurring Items are agreed Information for items referred to the Budget Process
10	- Steading Report by Technical Officer, Asset Management, EP&I
11	- Gomel Trust additional Funding

Report No.	Organisations/Activities	Budget Line
A	Aberdeen Citizens Advice Bureau	4
B	Techfest	4
C	Bulawayo Trust	4
D	APA – Stage 1 Agreement	4
E	Aberdeen Safer Community Trust and comments by Community Safety Manager, Aberdeen City Council	4
F	Civic Administration Unit	5
G	Twinning Activities	13
H	Archivist Unit	14
I	Events Funding & Entertainment for the Elderly & Disabled	4 and 7
J	Home Safety Check	17
K	Gomel Trust	4

Copies of the above reports are available in the member's library.

8. REPORT AUTHOR DETAILS

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RECURRING EXPENDITURE

	BUDGET 2010/11 £s	PROJECTED OUT-TURN 2010/11 £s	BUDGET 2011/12 £s
1 General Properties/Estates	25,800	25,800	25,800
2 Miscellaneous Expenses	29,528	29,528	29,528
3 Central Support Services	141,834	141,834	151,834
4 Donations, Grants, Contributions	678,025	677,025	672,025
<u>Civic Hospitality</u>			
5 Receptions, etc	165,000	155,000	165,000
6 Entertainment for Elderly/Disabled Citizens	195,000	195,000	195,000
7 Older Persons Development Officer	17,410	17,410	17,410
8 Hospitality for Community Centres	4,000	4,000	4,000
9 Misc. Civic Hospitality Expenditure	23,000	21,000	20,500
10 Sub-Total Civic Hospitality	404,410	392,410	401,910
11 Upkeep of Civic Car	59,746	55,688	50,249
12 Civic Support Team	285,161	279,097	240,628
13 Funding - Twinning Activities	137,352	137,352	137,352
14 Archivist Unit	181,476	181,476	166,581
15 Christmas Illuminations and Winter Festival	213,000	213,000	213,000
16 Contributions to Trusts & Festivals	325,000	325,000	325,000
17 Other Projects	85,876	85,876	85,876
18 Other Recurring Expenditure	40,250	40,250	40,250
19 Sub-Total Recurring Expenditure	2,607,458	2,584,336	2,540,033

RECURRING INCOME

	BUDGET 2010/11 £s	PROJECTED OUT-TURN 2010/11 £s	BUDGET 2011/12 £s
20 Income from Properties and Estates	(2,246,691)	(2,246,691)	(2,330,077)
21 Interest on Invested Funds	(54,000)	(51,500)	(65,290)
22 Miscellaneous Income	(60,150)	(60,150)	(60,150)
23 Total Recurring Income	(2,360,841)	(2,358,341)	(2,455,517)
24 Budgeted deficit on recurring items	246,617	225,995	84,516

NON-RECURRING ITEMS

	BUDGET 2010/11 £s	PROJECTED OUT-TURN 2010/11 £s	BUDGET 2011/12 £s
<u>Non Recurring Expenditure Items</u>			
25 Gordon Highlanders Statue	125,000	125,000	-
26 Charity Shop Refurbishment	15,000	15,000	-
27 Battle of Harlaw	10,000	10,000	10,000
28 CLAN	55,000	55,000	-
29 Sub-Total Non-Recurring Items	205,000	205,000	10,000
30 Budget Deficit after Non-Recurring Items	451,617	430,995	94,516
31 Cash Balances as at 1 April	(5,750,722)	(5,750,722)	(5,319,727)
32 Estimated Cash Balances as at 31 March	(5,299,105)	(5,319,727)	(5,225,211)
33 Cash Balance Required to maintain value using CPI	(5,271,382)	(5,271,382)	(5,429,523)
34 Adjustment for Greenfern Development Site	470,873	470,873	484,999
35 Revised Cash Balance to maintain value using CPI	(4,800,509)	(4,800,509)	(4,944,524)

Appendix 2

ANALYSIS OF MISCELLANEOUS & GENERAL INCOME & EXPENDITURE HEADINGS

	PROJECTED		BUDGET 2011/12 £s
	BUDGET 2010/11 £s	OUT-TURN 2010/11 £s	
<u>General Properties/Estates</u>			
Rates and Insurance	1,800	1,800	1,800
Repairs and Maintenance	24,000	24,000	24,000
Sub-Total General Properties/Estates	25,800	25,800	25,800
<u>Miscellaneous expenditure</u>			
St. Nicholas Carillon	5,928	5,928	5,928
Printing, Advertising and Sundry Outlays, etc.	6,600	6,600	6,600
Official Catering	17,000	17,000	17,000
Sub-Total Miscellaneous expenditure	29,528	29,528	29,528
<u>Misc. Civic Hospitality</u>			
Promotional Civic Hospitality	8,000	8,000	8,000
Hospitality to Visitors/Groups to the Town House	15,000	13,000	12,500
Sub-Total Misc. Civic Hosp.	23,000	21,000	20,500
<u>Other recurring Expenditure</u>			
Lord Provost's Gift Fund	18,000	18,000	18,000
Lord Provost - Lord Lieutenancy and other duties	6,750	6,750	6,750
Display of Flags and Regimental Colours and Armistice Day Expenses	5,500	5,500	5,500
Picture Loan Scheme	10,000	10,000	10,000
Sub-Total Other recurring Expenditure	40,250	40,250	40,250
<u>Misc. Income</u>			
Lands of Skene/Torry - Share of Surplus	(60,000)	(60,000)	(60,000)
Burgesses of Guild and Trade	(150)	(150)	(150)
Sub-Total Misc. Income	(60,150)	(60,150)	(60,150)

Appendix 3

4. DONATIONS, GRANTS, CONTRIBUTIONS, ETC.

	BUDGET 2010/11 £	PROJECTED OUT-TURN 2010/11 £	BUDGET 2011/12 £	Report
Aberdeen Citizen's Advice Bureau	263,025	263,025	263,025	A
Techfest	36,500	36,500	36,500	B
Satrosphere	35,000	35,000	35,000	
Bulawayo Trust	50,000	50,000	45,000	C
Gomel Trust	7,800	7,800	7,800	
Mary Garden Prize	1,500	1,500	1,500	
Presentations Prizes Etc.	1,000	-	-	
Quincentenary Prizes Etc.	3,200	3,200	3,200	
Stage 1 Agreement - APA Contribution	75,000	75,000	75,000	D
Aberdeen Safer Community Trust	57,000	57,000	57,000	E
Youth Activities Small Grant Funding	50,000	50,000	50,000	
Castlegate Arts Centre Rent	8,000	8,000	8,000	
Events Funding	50,000	50,000	50,000	I
Lemon Tree Rent	40,000	40,000	40,000	
Sub Total	<u>678,025</u>	<u>677,025</u>	<u>672,025</u>	

Copies of the above reports are available in the member's library.

17. OTHER PROJECTS**Appendix 4**

PROJECT	BUDGET	PROJECTED	BUDGET	Report (where applicable)
	20010/11 £	OUT-TURN 20010/11 £	20011/12 £	
Home Safety Check Scheme	71,376	71,376	71,376	K
Charity Shop	13,000	13,000	13,000	
Community Safety Initiatives	1,500	1,500	1,500	
	<u>85,876</u>	<u>85,876</u>	<u>85,876</u>	

A copy of the above report is available in the member's library.

Appendix 5

VARIANCES 2010/11 BUDGET TO OUT-TURN - RECURRING ITEMS

	£	
BUDGET 2010/11 DEFICIT		246,617
OUT-TURN 2010/11 DEFICIT		225,995
VARIANCE		(20,622)

VARIANCES

EXPENDITURE Line	£	COMMENTS
4. Donations, Grants, Contributions	(1,000)	Presentations and Prozes budget is no longer required.
5. Receptions	(10,000)	Reduction in budget to more accurately reflect current expenditure.
9. Misc Civic Hospitality Expenditure	(2,000)	Reduction in the Visitors/Groups to Town House budget to more accurately reflect current expenditure.
11. Upkeep of the Civic Car	(4,058)	Close monitoring of the budget has resulted in a reduction in the estimated out-turn.
12. Civic Administration Unit	(6,064)	The non filling of staff vacancies has resulted in a reduction in the estimated out-turn.
21. Interest on invested Funds	2,500	Estimated out-turn has been updated to more accurately reflect current interest rates .
		(20,622)

Appendix 6

VARIANCES 2011/12 BUDGET TO 2010/11 BUDGET - RECURRING ITEMS

	£	
BUDGET 2010/11 DEFICIT	246,617	
BUDGET 2011/12 (DEFICIT)	84,516	
VARIANCE	<u><u>(162,101)</u></u>	

VARIANCES

EXPENDITURE Line	£	£	COMMENTS
3. Central Support Services		10,000	Increase to budget to reflect more accurately the work carried out for the Common Good Fund.
4. Donations, Grants, Contributions			
Bulawayo Trust	(5,000)		Funding requested lower than previous year.
Presentation & Prizes	(1,000)	(6,000)	Budget no longer required.
9. Misc Civic Hospitality Expenditure		(2,500)	Decrease in the Hospitality to Visitors/Groups to the Town House budget.
11. Upkeep of Civic Car (including lease costs)		(9,497)	Decrease as budgets brought into line with required expenditure.
12. Civic Administration Unit		(44,533)	Vacant posts no longer to be filled.
14. Archivist		(14,895)	Increase to income to Other Local Authorities to more accurately reflect the cost of the service.
INCOME			
19. Income from Properties and Estates		(83,386)	Increased income expected following rent reviews.
20. Interest on Invested Funds		(11,290)	Reflects the likely interest rates to be in force over the coming year.
		<u><u>(162,101)</u></u>	

ITEMS TO BE REFERRED TO THE BUDGET PROCESS

Appendix 7

	2011/12 £	Appendix
<u>Recurring Expenditure</u>		
Gomel Trust - increase to grant requested	4,200	11
ACAB - increase to grant requested	2,630	
Satrosphere - increase to grant to cover rental increase (rent paid to ACC)	3,500	
Picture Loan Scheme	5,000	
Total	<u><u>15,330</u></u>	

Non-Recurring Expenditure

Lord Provost Portrait	10,000	
Civic Chain Repairs - due to the age of the civic chain, repairs are becoming necessary and more frequent.	5,000	
Steading at Kepplestone & Kirkhills Farm	126,500	10
Satrosphere - increase to grant to cover rental increase backdated rent increase 2009/10 (rent paid to ACC)	2,052	
Total	<u><u>143,552</u></u>	

DRAFT REVENUE BUDGET - 2011/12, 2012/13, 2013/14

RECURRING EXPENDITURE

	BUDGET 2011/12 £s	BUDGET 2012/13 £s	BUDGET 2013/14 £s
1 General Properties/Estates	25,800	25,800	25,800
2 Miscellaneous Expenses	29,528	29,528	29,528
3 Central Support Services	151,834	151,834	151,834
4 Donations, Grants, Contributions	672,025	670,020	670,020
<u>Civic Hospitality</u>			
5 Receptions, etc	165,000	165,000	165,000
6 Entertainment for Elderly/Disabled Citizens	195,000	195,000	195,000
7 Older Persons Development Officer	17,410	17,410	17,410
8 Hospitality for Community Centres	4,000	4,000	4,000
9 Misc Civic Hospitality expenditure	20,500	20,500	20,500
10 Sub-Total Civic Hospitality	401,910	401,910	401,910
11 Upkeep of Civic Car	50,249	50,249	50,249
12 Civic Administration Unit	240,628	240,628	240,628
13 Funding - Twinning Activities	137,352	137,352	137,352
14 Archivist Unit	166,581	166,581	166,581
15 Christmas Illuminations and Winter Festival	213,000	213,000	213,000
16 Contributions to Trusts & Festivals	325,000	325,000	325,000
17 Other Projects	85,876	85,876	85,876
18 Other Recurring Expenditure	40,250	40,250	40,250
19 Sub-Total Recurring Expenditure	2,540,033	2,538,028	2,538,028

RECURRING INCOME

	BUDGET 2011/12 £	BUDGET 2012/13 £	BUDGET 2013/14 £
20 Income from Properties and Estates	(2,330,077)	(2,343,639)	(2,355,366)
21 Interest on Invested Funds	(65,290)	(83,900)	(119,000)
22 Miscellaneous Income	(60,150)	(60,150)	(60,150)
23 Total Recurring Income	(2,455,517)	(2,487,689)	(2,534,516)
24 Budgeted Deficit on recurring items	84,516	50,339	3,512

BUDGET	BUDGET	BUDGET
2011/12	2012/13	2013/14

NON RECURRING ITEMS

27 Battle of Harlaw	10,000	-	-
27 Sub-Total Non-Recurring Items	<u>10,000</u>	<u>-</u>	<u>-</u>
28 Budget Defecit after Non Recurring Items	<u>94,516</u>	<u>50,339</u>	<u>3,512</u>
29 Cash Balances at 31 March	(5,319,727)	(5,225,211)	(5,174,872)
30 Estimated Cash Balances as at 31 March	<u>(5,225,211)</u>	<u>(5,174,872)</u>	<u>(5,171,360)</u>
Cash Balance required to maintain value using C.P.I.	(5,429,523)	(5,527,254)	(5,654,381)
Adjustment for Greenfern Development	484,999	493,729	505,085
Adjusted Cash Balance Required	<u>(4,944,524)</u>	<u>(5,033,525)</u>	<u>(5,149,297)</u>

Summary of Common Good Budget after recurring items**Appendix 9**

	2011/12	2012/13	2013/14
Budget Deficit after Non-Recurring Items	94,516	50,339	3,512
Items Referred to committee - recurring (Appendix 7)	15,330	15,330	15,330
Items Referred to committee - non recurring (Appendix 7)	143,552	-	-
Budget deficit after referred items	<u>253,398</u>	<u>65,669</u>	<u>18,842</u>
Cash Balances as at 1 April	(5,319,727)	(5,066,329)	(5,000,660)
Estimated Cash Balances as at 31 March	<u>(5,066,329)</u>	<u>(5,000,660)</u>	<u>(4,981,818)</u>
Cash Balance Required to maintain value using CPI	(5,429,523)	(5,527,254)	(5,654,381)
Adjustment for Greenfern Development Site	484,999	493,729	505,085
Revised Cash Balance to maintain value using CPI	<u>(4,944,524)</u>	<u>(5,033,525)</u>	<u>(5,149,296)</u>

**ABERDEEN GOMEL TRUST
2011-2012 BUDGET**

Appendix 10

FUNDS AVAILABLE AT 1 APRIL 2011 ESTIMATE 9257

INCOME FOR 2010/11

Interest on Invested Funds	100	
Aberdeen City Contribution	<u>7,800</u>	
		7,900

EXPENDITURE FOR 2010/11

Construction Technology

Tullos Training Project		4,300
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Education & Young People

School Visits		2,000
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Medical

Medical Students Visit - 2011	2,000	
ENT visit to Scotland	2,000	
"Children's Diabetes Mellitus" NGO	800	
Medical Equipement - Diabetes Project	235	
Telemedicine Visit	<u>6,000</u>	11,035

Conferences, Liaison etc

Friends of Gomel Visit	370	
Trustee Visit	2,000	
Translation/Interpretation Services	452	
Liaison/Attendance at Conferences	<u>250</u>	3,072

Miscellaneous

Honorarium 2011	500	
Audit Fee 2011	200	
Audit Fee 2012	200	
Tax 2012	20	
Tax 2011	30	950
		21,357

Additional Funds requested (4,200)