

ABERDEEN CITY COUNCIL

COMMITTEE	City Council Budget Management
DATE	9th February 2012
DIRECTOR	Stewart Carruth
TITLE OF REPORT	Common Good Budget –2012/13
REPORT NUMBER:	CG/12/013

1. PURPOSE OF REPORT

This report is to submit, for the Council's consideration, the draft Common Good budget for 2012/13.

2. RECOMMENDATION(S)

It is recommended that the Council: -

- a) Approves the Common Good Budget for 2012/13 as detailed in Appendix 1 to this report;
- b) Considers the item referred to the budget process in Appendix 3;
- c) Instructs the Head of Finance to undertake a review of the level of cash balances that should be retained for a long term financial strategy, and report back to Council at an appropriate time;
- d) Instructs the Head of Finance to report back to Council on a proposed 5 year budget, taking account of the cash balance strategy to be adopted.

3. FINANCIAL IMPLICATIONS

- 3.1 The Report outlines proposals for the Common Good budget for the financial year 2012/13.
- 3.2 It also provides details of the cash balances held on the Common Good. Given the current economic position of the UK, this is being reviewed in order to identify a medium - long term financial strategy.

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 2012/13, the strategy approved by the Finance Monitoring Sub-Committee of 24 August 2004 has been applied. The use of CPI as part of the financial strategy to maintain cash balances is currently under review.
- 5.2 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 judgment of the Council, is for the good of the community as a whole or which the inhabitants at large may share.
- 5.3 It was also outlined that the prime purpose of the Council is to ensure that the Common Good is prudently conserved.
- 5.4 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.

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- 5.5 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.
- 5.6 The budget for 2012/13 is provided at **Appendix 1**. In building these figures the following broad assumptions have been made:
- Staffing cost 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 enabling a 1.5% return on investments for the financial year ending 31 March 2013.

- Rental income is based on projections provided by Asset Management, Enterprise, Planning & Infrastructure.

5.7 Based on the figures attached it can be seen at Appendix 1, subject to review, that the balance on the Common Good fund is estimated to be £6m by 31st March 2013.

Projected Out-turn 2011/12

5.8 In order to project the cash balance position for the period 2011/12 to 2012/13 it has been necessary to review the estimated cash balances as at 31 March 2012. 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 2012 is currently £6.2m as detailed in Appendix 1.

5.9 The favourable movement of £578K comparing budget to out-turn is due to income from properties and estates being higher than expected, and also due to the delay in undertaking the work at the Kepplestone/Kingswells stabling.

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5.10 The attached Appendices 1 and 2 provide detailed information in regard to proposals for the Common Good Draft Budget for 2012/13, along with estimated out-turn results for 2011/12 compared to the budget position for 2011/12.

5.11 The draft 2012/13 Budget shows a projected net expenditure of £260,000.

Cash Balances

5.12 This report also provides details of the estimated cash balances which will be held on the Common Good. Based on the budget projections for 2012/13 there are projected cash balances of £6m as at 31 March 2013.

5.13 It is recommended that the strategy for 2012/13 should be to limit expenditure to a level which will allow for working balances to be maintained to a point whereby two years' worth of Common Good expenditure could be met if required. Current expenditure levels are £2.7m, therefore cash balances require to be retained at a minimum level of £5.4m.

5.14 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.

5.15 As can be seen in Appendix 1 the Common Good Fund is in a deficit position for 2012/13. 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. However, given that the 2012/13 budget contains items of a non-recurring nature, coupled with the recommendation for the Head of Finance to provide a 5 year budget, projections show that this is viable given the level of cash balances currently available.

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

8. REPORT AUTHOR DETAILS

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