

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	15 March 2012
DIRECTOR	Stewart Carruth
TITLE OF REPORT	2011/12 Common Good Budget – Monitoring Report Update
REPORT NUMBER:	CG/12/26

1. PURPOSE OF REPORT

The purpose of this report is to:

- a) Inform the Committee of the income and expenditure position of the Common Good Fund for the period to 31 January 2012 including the forecast outturn for the year to 31 March 2012.
- b) Provide a forecast position of the cash balances as at 31 March 2012.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- a) Notes the income and expenditure position as at 31 January 2012 and the forecast outturn for the year.
- b) Notes the forecast cash balances as at 31 March 2012 of £6.2M based on current estimates, which is within the recommended levels indicated by the Head of Finance.

3. FINANCIAL IMPLICATIONS

The financial implications are detailed in the report at section 5.

4. OTHER IMPLICATIONS

None.

5. BACKGROUND/MAIN ISSUES

Income and Expenditure – Period to 31 January 2012

5.1 The net income budget for the period to 31 January is £915K. The actual income for the period is £1.39M which is a favourable movement of £475K when compared to the budget. Further details are given in Appendix 1 to this report.

5.2 The significant changes in actual expenditure compared to budget result from the following:

	Actual Variance £'000s
<u>Civic Hospitality</u> – Careful monitoring of various civic hospitality budgets have resulted in savings.	(25)
<u>Income from Properties & Estates</u> – Final negotiated rent revisions and back dated rent reviews have resulted in additional income.	(450)
Favourable Variance	<u>(475)</u>

Income and Expenditure – Forecast Outturn

5.3 The outturn for the year to 31 March 2012 shows a forecast position of £295K which is a favourable movement of £560K when compared to the budget. Further details are given in Appendix 1 to this report.

5.4 The significant changes in forecast outturn compared to budget result from the following:

	Forecast Variance £'000s
<u>Central Support Costs</u> – Due to savings in the services it is estimated that the recharge to common good will be under budget.	(20)
<u>Receptions</u> – All the major events for the year are accounted for and close monitoring of attendance numbers has resulted in savings.	(25)
<u>Misc. Civic Budgets</u> – A review of the procedure for hospitality to visitors to the Town House and close monitoring of the promotional civic hospitality budget is expected to result in savings.	(10)
<u>Civic Car</u> – increase to staff costs and increased expenditure on repairs to the car have resulted in a small overspend.	5
<u>Civic Support</u> – Increases in central support outturns to bring it into line with actual costs in previous years have resulted in an overspend.	10
<u>Archivist</u> – A decrease in income from other authorities has resulted in an increase in the funding required from Common Good.	25
<u>Contribution to Duthie Park Project</u> – Approval to the Common Good providing assistance to this project was given at the Finance and Resources Committee of 21 April 2011. Expenditure for the year will depend on how the Project develops and the level of expenditure quoted is indicative of what might be expected in the current year.	30
<u>Income from Properties & Estates</u> – Final negotiated rent revisions and back dated rent reviews have resulted in additional income.	(450)
<u>Non-Recurring Expenditure Items</u> – As a result of a fire at the tenants other farm the Steading at Kepplestone and Kirkhills will not be rebuilt this financial year resulting in a saving. The expenditure will be carried forward to 2012-13 instead.	(125)
Favourable Variance	(560)

Cash Balances

- 5.5 The forecast cash balances as at 31 March 2012 is £6.2M.
- 5.6 The strategy approved by the Finance Monitoring Sub-Committee of 24 August 2004 has been applied. This utilises the Consumer Price Index (CPI) as a basis for calculating indicative cash balances to ensure that the value of the Fund is maintained over the medium to longer term. The calculation of an indicative cash balance using CPI as part of the budget setting process has been adopted as an underlying principle. At August 2004, a cash balance of £4.2M was set for the year ended 31 March 2005.
- 5.7 The Council has previously agreed that the cash balance should be no less than £4.9M in line with the recommendation from the Head of Finance, after adjusting for the Greenfern Development Site, as at 31 March 2012.
- 5.8 As trustee of the Common Good, the Council has a duty to ensure that cash balances are maintained at levels to generate sufficient annual income to fund any future expenditure from the Common Good deemed appropriate.

6. IMPACT


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 ventures it presently does, in the long term.

7. BACKGROUND PAPERS

None.

9. REPORT AUTHOR DETAILS

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APPENDIX 1

COMMON GOOD FUND

Figures in Brackets represent income or a favourable variance

As At 30 January 2012	Year to Date				Forecast to Year End		
	Full Year Revised Budget £'000	Revised Budget £'000	Actual Expenditure £'000	Variance Amount £'000	Outturn Note 3 £'000	Variance Amount £'000	Variance Percent %
ACCOUNTING PERIOD 10							
Recurring Expenditure	2,553	1,020	995	(25)	2,570	17	0.0
Recurring income	(2,455)	(1,950)	(2,400)	(450)	(2,905)	(450)	18.33%
Budget after Recurring Items	98	(930)	(1,405)	(475)	(335)	(433)	(441.8%)
Non Recurring Expenditure	170	15	15	0	40	(130)	-76.47%
TOTAL BUDGET	268	(915)	(1,390)	(475)	(295)	(563)	(210.1%)

Cash Balances as at 1 April 2011	(5,950)	(5,950)
Estimated Cash Balances as at 31 March 2012	<u>(5,682)</u>	<u>(6,245)</u>
Indicative Cash Balance	(5,430)	(5,430) Note 1
Adjustment for Greenfern Development Site	485	485 Note 2
Revised Cash Balance to maintain value using CPI	<u>(4,945)</u>	<u>(4,945)</u>

Note 1

The indicative cash balance is explained in section 5.5 of the main report and is the result of uplifting the original cash balance in 2004 by the CPI figure annually. It is to ensure the maintenance of the Common Good Fund over the medium to long term

Note 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. The £450K has been uplifted inline with CPI to give £485K, to allow for the maintenance of its value. In view of this, where indicative cash balances are shown in this report they have been reduced by this amount to allow meaningful comparisons.

Note 3

The forecast outturn figure takes into account £1.3M of expenditure that takes place at year end e.g Funding of Twinning activities, Entertainment for the Elderly and Disabled and Contributions to Trusts and Festivals.