

ABERDEEN CITY COUNCIL

COMMITTEE: Finance and Resources

DATE: 21 June 2012

DIRECTOR: Stewart Carruth

TITLE OF REPORT: Common Good Budget Monitoring – Year End 2011/12

REPORT NUMBER: CG/12/026

1. PURPOSE OF REPORT

- 1.1 This report provides an opportunity to consider the financial outturn for the Common Good for financial year 2011/12. The values are based on information as at 31 March 2012 and are subject to the external audit process.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- a) note the positive outturn against budget for the Common Good and the increased value of the fund, based on the revaluation of assets as at 31 March 2012.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications of the year end financial position are detailed throughout the body of the report. Particular attention is drawn to the value of the Common Good as at 31 March 2012, £73.9 million, which represents an increase in value due to the revaluation of the investment property that makes up the Common Good. The increase in value is a total of £6.7 million, reflecting a 10.5% increase from the previous year.
- 3.2 The cash reserves of the Common Good remain in line with previously held levels following expenditure for the year being lower than had been budgeted. Cash resources are approximately £6.7 million as at 31 March 2012.
- 3.3 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 future expenditure from the Common Good deemed appropriate.

4. OTHER IMPLICATIONS

- 4.1 Every organisation has to manage the risks and these risks are minimised by the regular review of financial information by officers and through monitoring reports prepared for Members.

5. REPORT

5.1 Background

- 5.1.1 During financial year 2011/12 the Committee has received reports on the financial performance of the Common Good, ensuring that Members are fully aware of the financial circumstances of the Fund.
- 5.1.2 Members should note that this report reflects a draft outturn position, which has also been used in the preparation of the Draft Statement of Accounts for the Council for 2011/12.
- 5.1.3 There is a statutory requirement that an abstract of the accounts for each financial year be submitted to the Controller of Audit not later than 30 June in the next financial year.
- 5.1.4 This means that Draft Statement of Accounts for 2011/12, which includes the Common Good, is prepared in accordance with Accounting Codes of Practice and requires to be submitted by 30 June 2012 to Audit Scotland.

5.2 Common Good Financial Performance

- 5.2.1 At its meeting of 15 March 2012 the Committee reviewed the financial performance of the Common Good, which was based on expenditure to the end of January 2012.
- 5.2.2 During the intervening period the position has improved as the final charges and funding transactions have been completed and applied to the Common Good account.
- 5.2.3 Information within this report provides a high level overview of expenditure and income for the consideration of Members and presents actual financial figures to the end of March 2012, taking account of the various year end entries, accruals and transactions that are necessary.
- 5.2.4 Appendix A includes a summary of the Common Good position.
- 5.2.5 In overall terms the statement at Appendix A shows the Common Good is reporting a positive outturn position, being a favourable £1 million variance from budget. This represents a surplus of £0.7 million against the budgeted use of resources of £0.3 million for the year.

- 5.2.6 The main reason for the positive outturn is in relation to the generation of additional income, through rent reviews that have now been applied and fully taken into account. This increased income for the year from properties and estates to £2.9 million against a budget of £2.3 million.
- 5.2.7 Other improvements against budget included lower costs in relation to the Christmas lights and festivals, saving £80,000 against budget, and reduced costs due to vacancies in relation to Twinning activities, where a similar £80,000 of savings was achieved.
- 5.2.8 Other smaller savings were achieved in a number of budgets.
- 5.2.9 One-off and non-recurring expenditure varied throughout the year with the individual circumstances of a farm tenant resulting in a postponement of building works at Kepplestone and Kirkhills Farm Steading, saving in 2011/12 £125,000, while final costs relating to the Gordon Highlanders Statue were budgeted for in 2010/11 but not incurred until 2011/12, creating a saving in the prior year and a cost in 2011/12 of £90,000.
- 5.2.10 The positive performance increases the cash balances held by the Common Good. Commitments to projects such as the above mentioned steading and to the Greenfern Development will be a cost in future years and these are fully taken into account when considering the resources available in the Common Good and in setting annual budgets.

5.3 Cash Balances

- 5.3.1 The Common Good had cash balances of £6 million at the start of the year and with the positive outturn in the year the resources have increased to £6.7 million.
- 5.3.2 The strategy for retention of cash balances dates from August 2004 when the Finance Monitoring Sub-Committee gave its approval. This uses the Consumer Price Index (CPI) as a basis for calculating indicative cash balances to ensure that the value of the Common Good is maintained over the medium to longer term. The calculation commenced in August 2004, with a cash balance of £4.2 million set as the amount to be retained for year ending 31 March 2005.
- 5.3.3 Further consideration of cash balances in the intervening period makes adjustment for the Greenfern Development, where a commitment to putting infrastructure in place has been given. Having taken account of this earmarked sum the Head of Finance has recommended that no less than £4.9 million of cash resources should be retained as at 31 March 2012.
- 5.3.4 A recent internal audit report on the Common Good has recommended that the strategies that drive Common Good decision making are reviewed and this is due to be completed before the end of the calendar year.

5.4 Revaluation

- 5.4.1 Annually, in line with proper accounting practice and the accounting policies of the Council investment properties are revalued.
- 5.4.2 This exercise is carried out concurrently with Council property valuations and all revaluations are included in the value of assets shown in the Statement of Accounts for the relevant financial year.
- 5.4.3 For 2011/12 the revaluations had the impact of increasing the overall value of the Common Good by £6 million, which represents a 10% increase on the value at the start of the year.
- 5.4.4 The change in value is applied to the Common Good each year and the future value is not certain as the value of investment property can go down as well as up.
- 5.4.5 As at 31 March 2012, subject to audit, the value of the Common Good was £73.9 million, with £66.8 million being the value of property owned.

6. IMPACT

- 6.1 It is the aim of the Common Good to provide benefit to the citizens of Aberdeen and to do this the value and cash resources of the Fund require to be managed for the medium to long term.

7. REPORT AUTHOR DETAILS

Jonathan Belford
Corporate Accounting Manager
jbelford@aberdeencity.gov.uk
01224 522573

8. BACKGROUND PAPERS

Common Good Financial Monitoring Reports for Financial Year 2011/12;

| RECURRING EXPENDITURE | | | |
|--|-------------------------|----------------------------|---------------------------|
| | BUDGET 2011/12 £s | ACTUAL TO 2011/12 £s | VARIANCE 2011/12 £s |
| 1 General Properties/Estates | 25,800 | 10,766 | (15,034) |
| 2 Other Expenses | 29,528 | 18,775 | (10,753) |
| 3 Central Support Services | 151,834 | 98,143 | (53,691) |
| 4 Donations, Grants, Contributions | 680,207 | 669,227 | (10,980) |
| 10 Sub-Total Civic Hospitality | 401,910 | 356,954 | (44,956) |
| 11 Upkeep of Civic Car | 50,249 | 47,882 | (2,367) |
| 12 Civic Support Team | 240,628 | 265,274 | 24,646 |
| 13 Funding - Twinning Activities | 137,352 | 56,679 | (80,673) |
| 14 Archivist Unit | 166,581 | 190,172 | 23,591 |
| 15 Christmas Illuminations and Festivals | 213,000 | 133,314 | (79,686) |
| 16 Contributions to Trusts & Festivals | 325,000 | 325,000 | 0 |
| 17 Other Projects | 85,876 | 74,041 | (11,835) |
| 18 Other Recurring Expenditure | 45,250 | 35,054 | (10,196) |
| 19 Sub-Total Recurring Expenditure | <u>2,553,215</u> | <u>2,281,281</u> | <u>(271,934)</u> |
| RECURRING INCOME | | | |
| 20 Income from Properties and Estates | (2,330,077) | (2,870,668) | (540,591) |
| 21 Interest on Invested Funds | (65,290) | (114,475) | (49,185) |
| 22 Miscellaneous Income | (60,150) | (81,886) | (21,736) |
| 23 Total Recurring Income | <u>(2,455,517)</u> | <u>(3,067,029)</u> | <u>(611,512)</u> |
| 24 Budgeted (surplus)/deficit on recurring items | 97,698 | (785,748) | (883,446) |
| NON-RECURRING ITEMS | | | |
| <u>Non Recurring Expenditure Items</u> | | | |
| 27 Battle of Harlaw | 10,000 | 10,000 | 0 |
| 28 Gordon Highlander's Statue | | | |
| 29 Lord Provost Portrait | 10,000 | 10,000 | 0 |
| 30 Civic Chain Repairs | 5,000 | 4,167 | (833) |
| 31 Steading at Kepplestone & Kirkhills Farm | 126,500 | | (126,500) |
| Hogmanay Fireworks | 15,000 | 15,000 | 0 |
| Parade - Royal Scots Dragoon Guards | 3,500 | 3,500 | 0 |
| Greenfern Masterplan | | 7,139 | 7,139 |
| LTA rent grant prior years not used | | (41,000) | (41,000) |
| Highlanders Statue | | 89,500 | 89,500 |
| Robert the Bruce Statue unused grant | | (1,500) | (1,500) |
| Music Hall DDA works unused grant | | (24,845) | (24,845) |
| 32 Sub-Total Non-Recurring Items | <u>170,000</u> | <u>71,961</u> | <u>(98,039)</u> |
| 33 Budget Deficit after Non-Recurring Items | 267,698 | (713,788) | (981,486) |
| 34 Cash Balances as at 1 April | (5,950,026) | (5,950,026) | |
| 35 Estimated Cash Balances as at 31 March | <u>(5,682,328)</u> | <u>(6,663,814)</u> | <u>(981,486)</u> |
| 36 Cash Balance Required to maintain value using CPI | (5,429,523) | | |
| 37 Adjustment for Greenfern Development Site | 484,999 | | |
| 38 Revised Cash Balance to maintain value using CPI | <u>(4,944,524)</u> | | |