

ABERDEEN CITY COUNCIL

COMMITTEE	Finance & Resources
DATE	6 th December 2012
DIRECTOR	Stewart Carruth
TITLE OF REPORT	Common Good Budget 2013/14 and indicative 2014/15 – 2017/18 Budget
REPORT NUMBER:	CG/12/1024

1. PURPOSE OF REPORT

This report is to submit, for elected members' consideration, the draft Common Good budget for 2013/14, along with a further indicative 4 year budget and financial strategy on the use of its reserves and capital receipts.

2. RECOMMENDATION(S)

It is recommended that the Committee: -

- a) Approves the recommendation by the Head of Finance to retain a minimum of 2 years' cash balances;
- b) Notes the contents of Appendix 2 regarding clarity over the use of the Common Good Fund;
- c) Approves the recommendation in Appendix 3 regarding the financial strategy for the operation of the Common Good Fund, such that any surplus funds can be invested with Aberdeen City Council at an interest rate of 0.5% less than that charged by the Public Works Loans Board (PWLB) over a review period of 5 years;
- d) Approves the recommendations in Appendix 4 regarding the investment strategy of the Common Good Fund and the proposal regarding the strategy for funds received from the sale of any Common Good Assets;

and also notes: -

- e) The Common Good budget for 2013/14 as detailed in Appendix 1 to this report; and
- f) The 2014/15 - 2017/18 indicative budget which is also contained in Appendix 1.

3. FINANCIAL IMPLICATIONS

- 3.1 The Report outlines proposals for the Common Good budget for the financial year 2013/14, and indicative figures for the following 4 years.
- 3.2 It also contains details of the recommendation that cash balances of at least two years' worth of expenditure should be retained. Given the economic position of the UK, this should be reviewed in two years' time.

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 2013/14, the financial 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. More detail on this is provided in Appendix 2. 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. Hence Appendix 3 outlines a financial strategy for the Common Good Fund.
- 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.

Draft Budget 2013/14

- 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 2013/14 is provided at **Appendix 1**. In building these figures the following broad assumptions have been made:
- Average interest rates reflect the projections currently being made enabling a 2% 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 As can be seen in Appendix 1 the Common Good Fund is in a balanced budget position for 2013/14. The reason for this is that income from Common Good owned properties is increasing and the value of expected commitments in 2013/14 is slightly lower than in 2012/13.
- 5.8 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 £6.8m by 31st March 2014, which is £1.1m higher than the required minimum level of working balances and could be used to fund any items of one-off expenditure which the committee may agree to.

Projected Out-turn 2012/13

- 5.8 The projected outturn for 2012/13 shows a small surplus of £32,000 against a budgeted deficit of £350,000.
- 5.9 The favourable movement of £382,000 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 steading which has been budgeted for in 2012/13.

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

2013/14 there are projected cash balances of £6.8 million as at 31 March 2014.

- 5.13 It is recommended that the strategy for 2013/14 and for 2014/15 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 £2.85 million, therefore cash balances require to be retained at a minimum level of £5.7 million. In 2013/14, surplus funds are predicted to be £1.1 million, per the table contained in Appendix 3, and in 2013/14 these funds could be used for one-off items of expenditure.
- 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.

Other Issues

An internal audit report in June 2012 made the following recommendations:

1. That a financial strategy for the Common Good should be prepared and incorporate:
 - i) The purpose of the Fund;
 - ii) The nature of its expenditure;
 - iii) What the Council determines as 'Common Good';
 - iv) The governance and decision making process around Common Good; and
 - v) The levels of minimum balances retained by the Common Good Fund
2. That an investment strategy for the Common Good Fund should be prepared.

In dealing with the above findings, Appendix 2 provides clarity regarding to items 1 i) to 1 iii). This states that the primary objective of the Common Good Fund is to ensure that it is prudently conserved; it sets down the criteria for which expenditure against the Common Good Fund can be allowed; and defines the Common Good as 'the corporate property of the City Council which can be applied by them for the benefit of the general public of the City or its inhabitants'.

Appendix 3 details the proposed financial strategy, in response to items iv) and v), such that a minimum of two years' expenditure should be retained as working balances, and that surplus funds should be invested in order to receive a constant source of income.

Appendix 4 provides information with regard to the already approved investment strategy. The critical recommendation from this is that Common Good properties should be retained where possible. This appendix also details the proposal around potential receipts from the sale of Common Good assets, such that a renewals fund and a capital receipts investment fund are created.

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 ventures it presently does, in the long term.


7. BACKGROUND PAPERS

Aberdeen City Council Internal Audit Report on Common Good Fund Arrangements June 2012

Finance & Resources Committee 4th October 2012

Property Asset Management Plan 2012

8. REPORT AUTHOR DETAILS

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