

Appendix 2

This appendix sets out the proposals for determining the purpose of Common Good funds and will define:

The purpose of the Fund;
The nature of its expenditure;
Definition of the 'Common Good'

1. The purpose of the Fund

The primary objective of the Common Good Fund is to ensure that it is prudently conserved for future generations. This entails the prudent management, upkeep and improvement of the properties which form part of the Common Good assets and may include the acquisition of additional land or property for the benefit of the general public.

2. The nature of its expenditure

Specifically, the items of expenditure which can be met from the Common Good Fund are as follows:

- Upholding the dignity of the City;
- The prudent management, upkeep and improvement of those items of Council property which form part of the Common Good;
- Safeguarding the corporate rights of the community and defending its interests;
- Granting donations to public institutions or charities – this must be exercised in the interests of the general public of the City;
- Any other purpose which in a reasonable judgment of the Council is for the good of the community as a whole or in which the inhabitants may share; as distinct from the interest or benefit of any particular individual or group.

Overall, the purposes for which Common Good Funds may be utilised are limited to the City and its interests.

3. What is the 'Common Good'

The Common Good of a Council is defined as the 'corporate property and estate of the Council, as distinct from monies available to it by the levying of taxes and assessments for particular purposes'

The Local Government (Scotland) Act 1973, Section 222(3), states that the Council of the City of Aberdeen, in administering said property, shall have regard to the interests of all the inhabitants of their districts.

Thus it follows that the Common Good of the City may not properly be applied in the interests, or for the benefit of, the general public or inhabitants of another locality.

Appendix 3

This appendix seeks to set out a financial strategy for the Common Good Fund, defining the governance arrangements and the level of minimum working balances to be retained by the Fund.

In terms of financial planning and strategy, there are two elements to be considered:

1. Working Balances
2. Surplus Funds

1. Working Balances

It is recommended that a minimum of two years' worth of expenditure is retained as working cash balances, and that this is invested with the loans fund for a period of under one year. This allows for prudent financial management and financial planning by partner/external organisations who receive Common Good funding.

2. Surplus Funds

Surplus funds are defined as cash balances in excess of (1) above and would include any future capital receipts that may be realised.

The table below details the projected levels of both working balances and surplus funds over the period of the Council's 5 year business plan:

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
Projected Balance 1st April	(6,763)	(6,795)	(6,795)	(7,157)	(7,554)	(7,951)
(Surplus)/Deficit for Year	(32)	0	(362)	(397)	(397)	(397)
Projected Balance 31st March	(6,795)	(6,795)	(7,157)	(7,554)	(7,951)	(8,348)
Minimum Balance Required	5,876	5,696	5,822	5,878	5,878	5,878
Surplus Funds	(919)	(1,099)	(1,335)	(1,676)	(2,073)	(2,470)

Surplus funds in 2013/14 are available for one-off items of expenditure.

Investment/Borrowing

The current position with regard to Aberdeen City Council's (ACC) investments and borrowing is as follows:

Special arrangements exist for Common Good deposits of up to £5 million, invested for less than one year, which currently receive interest of around 2%;

Other temporary investments in the Loans Fund receive approximately 1% per annum;

Borrowing from the Council Public Works Loans Board (PWLB) costs 3.8% per annum.

The Common Good Fund could, alternatively, make its surplus funds available to ACC and its counter party organisations. Counter party organisations are organisations with which ACC has borrowing/lending arrangements, and are attached below. As the Council can borrow at 3.8% currently, then in order to make the possibility of ACC taking money on deposit from the Common Good Fund an attractive one, Aberdeen City Council would require a discount of 0.5% on PWLB rates, over a maximum period of 5 years in line with the Council's 5 year budget.

Thus the Common Good fund would receive an interest rate of 3.3% when investing its surplus funds with ACC or its counter party organisations.

Any capital receipts should be invested in a manner such that a constant income is received over the 5 year period, and the investment maintains a solid income stream for the Common Good over the longer term.

Acquisition of Land

As a further alternative to investing surplus funds, or using them as a mechanism for lending, the Council could invest in additional land or property for the benefit of the general public. Any such property would then generate income for the Common Good Fund in line with the proposals set out in Appendix 4.

**ABERDEEN CITY COUNCIL
REVISED COUNTERPARTY LIST**

As revised 04 October 2012

Deposits up to 12 months

UK Nationalised and Part Nationalised Banks - £30m limit

Lloyds Banking Group (includes Lloyds TSB Bank plc, Halifax Bank of Scotland)

The Royal Bank of Scotland plc
(includes National Westminster Bank plc, Ulster Bank Ltd)

UK Local Authorities, including Police Authorities - £10m limit

Deposits up to 3 months

Council's Bankers - £20m limit

Clydesdale Bank plc

UK Banks - £10m limit

Barclays Bank plc

UK Building Societies - £10m limit

Nationwide Building Society

Collective Investment Schemes - £30m total limit

Money Market Funds - £10m limit

Federated Prime Rate Sterling Liquidity Fund

Goldman Sachs Sterling Liquid Reserve Fund

Ignis Liquidity Fund