

## ABERDEEN CITY COUNCIL

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COMMITTEE	Council
DATE	6 February 2014
LEAD OFFICER	Valerie Watts, Chief Executive
TITLE OF REPORT	Common Good Budget 2014/15 and indicative 2015/16 – 2018/19 Budgets
REPORT NUMBER:	OCE/14/003

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### 1. PURPOSE OF REPORT

This report submits for elected members' consideration the draft Common Good budget for 2014/15, along with an indicative 2015/16 - 2018/19 budgets.

### 2. RECOMMENDATIONS

It is recommended that the Council: -

- a) approves the Common Good budget for 2014/15 as detailed in appendix 1 to this report;
- b) considers and decides upon the grant to Aberdeen Performing Arts in relation to the additional rental space of the Lemon Tree;
- c) considers and decides upon the notice of motion in the name of Councillor Greig in relation to the requested allocation of £20,000 towards the costs of work at the Queen Mother Rose Garden, Hazlehead Park;
- d) notes the decision of Police Scotland to introduce cost recovery arrangements for events policing; and
- e) notes the 2015/16 – 2018/19 indicative Common Good budgets set out in appendix 1.

### 3. FINANCIAL IMPLICATIONS

- 3.1 The report outlines proposals for the Common Good budget for the financial year 2014/15 and indicative figures for the following 4 years.
- 3.2 It also contains details of the value of the Common Good's cash balances, projected over the 5 year period.
- 3.3 During the financial year 2014/15, a full review of the Common Good budget will be undertaken in line with the Council's budgeting process.

#### 4. OTHER IMPLICATIONS

- 4.1 Common Good funds provide support to a range of services and projects both within and outwith the Council. Should funding not be provided there may be a risk that the services and projects would no longer be delivered.

#### 5. BACKGROUND/MAIN ISSUES

##### **Introduction**

- 5.1 In preparing a draft Common Good budget for 2014/15, the financial strategy approved by the Finance & Resources Committee of 6<sup>th</sup> December 2012 has been applied. This is attached at Appendix 2.

- 5.2 A report on the origin, history and purposes for which the Common Good may be used was prepared on 15<sup>th</sup> 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 for the use of Common Good monies: -

- 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 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 which Aberdeen City Council or any other public body has a statutory duty to support.

##### **Projected Out-turn 2013/14**

- 5.5 The projected outturn for 2013/14 shows a deficit of £805,000 compared with a budgeted deficit of £474,000.

- 5.6 The detrimental movement of £331,000 comparing budget to out-turn is primarily due to tenant compensation of £500,000 to allow land to be released for development.

## Draft Budget 2014/15

- 5.7 In developing the draft Common Good budget for 2014/2015, input has been sought from those external bodies currently supported by the Common Good and from various Council officers responsible for the different expenditure and income lines.
- 5.8 Rental income is based on projections provided by the Asset Management team within Enterprise, Planning & Infrastructure.
- 5.9 The draft budget for 2014/15 is provided at **Appendix 1**. As can be seen, given the requests made expenditure for the year will exceed income by £723,000 for 2014/15. If approval is given for this level of expenditure, the balance on the Common Good Fund at 31<sup>st</sup> March 2015 is estimated to be £6.33m. This meets the requirements of the cash balances strategy approved by the Finance & Resources Committee on 6<sup>th</sup> December 2012 and set out below.
- 5.10 At its meeting of 24<sup>th</sup> September 2013 the Finance, Policy and Resources Committee had before it a report by the Director of Enterprise, Planning and Infrastructure on the lease of the Lemon Tree, West North Street (EPI/13/168). In relation to the granting of twenty five year leases to Aberdeen Performing Arts (APA) for both the Lemon Tree, West North Street and a neighbouring office property at Shoe Lane the Committee agreed that the grant to APA be looked at again in February 2014 as part of the budget process.
- 5.11 The draft budget for 2014/2015 includes an allocation of £36,000 towards the cost of the annual rental of the Lemon Tree. The annual rental of the office property at Shoe Lane is £10,000 and the Council is requested to consider and decide whether or not an additional grant of £10,000 should be made to APA towards this cost.
- 5.12 At its meeting of 18<sup>th</sup> December 2013 the Council had before it a notice of motion in the name of Councillor Greig in the following terms:-
- “That this Council agrees to allocate £20,000 from the Common Good Fund towards work being undertaken by the Council to maintain and upgrade the Queen Mother Rose Garden in Hazlehead.”
- The Council resolved that the motion be considered as part of the budget process. Members are therefore requested to consider and decide upon the request.
- 5.13 Since the current report was drafted and presented to the Finance, Policy and Resources Committee at its meeting on 5<sup>th</sup> December 2013 Council officers have been informed by colleagues at Police Scotland that cost recovery arrangements are being introduced for the provision of policing at events. Discussions are ongoing with Police Scotland and further reports will be brought to the appropriate Committee once the implications to the Council of this change of policy are clarified.

## **Cash Balances**

- 5.14 Based on the budget projections for 2014/15, there are projected cash balances of £6.33 million as at 31<sup>st</sup> March 2015.
- 5.15 The strategy for cash balances for the Common Good Fund is to limit expenditure to a level which will allow for working balances to be maintained to a point whereby two years' worth of future Common Good expenditure could be met if required.
- 5.16 Current draft budgeted expenditure for the two year period 2015/16 and 2016/17 totals £5.84m. Given the estimated budgeted balances on 31<sup>st</sup> March 2015 of £6.33m, the requirements of the strategy are met and additional expenditure of up to £488,000 on one-off items would be possible during the period 2014/15 – 2016/17.
- 5.17 Members will of course be mindful that it is the duty of the Council as trustees of the Common Good to ensure that the cash balances are maintained, and that the Common Good is preserved for future generations.

## 6. IMPACT

- 6.1 It is essential that the value of the Common Good is preserved in such a way as to allow it to continue to be able to support in the long term an extensive portfolio of activities, projects, services and events.

## 7. BACKGROUND PAPERS

*Common Good Budget 2013/2014 and indicative 2014/15 – 2017/18 Budget (CG/12/124)*

## 8. REPORT AUTHOR DETAILS

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<b>Common Good Fund Budget (Appendix 1)</b>		<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>DRAFT</b>		<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
<b>Note</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>General Properties/Estates</b>					
1	Insurance Costs	16	16	16	16	16
2	Repairs and Maintenance	85	85	85	85	85
		101	101	101	101	101
	<b>Other Expenses</b>					
3	St Nicholas Carillon	6	6	6	6	6
4	Printing and Other Sundries	3	3	3	3	3
5	Official Catering	17	17	17	17	17
		26	26	26	26	26
	<b>Donations, Grants, Contributions</b>					
6	Aberdeen Citizen's Advice Bureau	276	281	286	292	297
7	Twinning Activities	137	137	137	137	137
8	Contributions to Trusts & Festivals	325	325	325	325	325
9	Techfest	37	37	37	37	37
10	Satrosphere Rent	39	39	39	39	39
11	Bulawayo Trust	45	45	45	45	45
12	Gomel Trust	22	17	17	17	17
13	Mary Garden Prize	2	2	2	2	2
14	Quincentenary Prizes	3	3	3	3	3
15	Aberdeen Performing Arts Contribution - Stage 1 Agreement	75	75	75	75	75
16	Aberdeen Safer Community Trust	58	58	58	60	60
17	Youth Activities Small Grant Funding	50	50	50	50	50
18	Castlegate Arts Rent	8	8	8	8	8
19	Events Funding					
	- Tartan Day	0	0	0	0	0
	- Armed Forces/Veterans Day	10	0	0	0	0
	- Galas	10	0	0	0	0
	- Aberdeen Winter Festival - Fireworks Display	25	0	0	0	0
	- Aberdeen Winter Festival - Nativity Scene	6	0	0	0	0
	- Aberdeen Day	20	0	0	0	0
	Events	0	70	70	70	70
20	Lemon Tree Rent	36	36	36	36	36
21	Crematorium Bus	48	48	48	48	48
22	Hogmanay Celebrations	200	200	200	200	200
		1,431	1,430	1,435	1,442	1,448
	<b>Promoting Aberdeen</b>					
23	Festive Community Grants	4	4	4	4	4
24	Civic Support	268	268	268	268	268
25	Christmas Illuminations and Festivals	169	164	173	168	168
26	Entertainment for Elderly/Disabled Citizens	215	235	255	275	295
27	Older Persons Development Officer	18	18	18	18	18
28	Civic Receptions	150	150	150	150	150
29	Civic Hospitality	20	20	20	20	20
		845	860	889	904	924
	<b>Other Expenditure</b>					
30	Archivist Unit	199	199	199	199	199
31	Central Support Services	120	120	120	120	120
		319	319	319	319	319
	<b>Other Projects</b>					
32	Home Safety Check Scheme	71	75	78	81	84
33	Charity Shop	16	16	16	16	16
34	Community Safety Initiatives	2	2	2	2	2
		89	93	96	99	102
	<b>Other Recurring Expenditure</b>					
35	Civic Gift Fund	18	18	18	18	18
36	Lord Lieutenancy and other duties	7	7	7	7	7
37	Armistice Day Expenses	6	6	6	6	6
38	Picture Loan Scheme	15	15	15	15	15
39	Business Investment Fund	25	25	25	25	25
		70	70	70	70	70
	<b>Recurring Expenditure</b>	<b>2,880</b>	<b>2,897</b>	<b>2,935</b>	<b>2,960</b>	<b>2,989</b>
	<b>Non Recurring Expenditure Items</b>					
40	Steading at Kepplestone & Kirkhills Farm	127	0	0	0	0
41	Femhill Farm Replacement Building	40	0	0	0	0
42	Consultancy Costs	100	0	0	0	0
43	4 Scots Homecoming Parade	6	0	0	0	0
44	Auchmill Golf Course (Greenfern)	239	0	0	0	0
45	Repairs & Maintenance - Electrics/Asbestos	323	0	0	0	0
46	Lord Provost Portrait	0	0	5	5	0
		835	0	5	5	0
	<b>ORDINARY EXPENDITURE</b>	<b>3,715</b>	<b>2,897</b>	<b>2,940</b>	<b>2,965</b>	<b>2,989</b>
47	Invested in Loans Fund	3,000	3,000	3,000	3,000	3,000
	<b>TOTAL EXPENDITURE</b>	<b>6,715</b>	<b>5,897</b>	<b>5,940</b>	<b>5,965</b>	<b>5,989</b>
48	Income from Properties and Estates	(2,833)	(2,860)	(2,900)	(2,927)	(2,927)
49	Interest on Invested Funds	(89)	(89)	(89)	(91)	(92)
50	Lands of Skene/Torry (Share of Surplus)	(70)	(70)	(70)	(70)	(70)
51	Burgesses of Guild and Trade	(0)	(0)	(0)	(0)	(0)
	<b>ORDINARY INCOME</b>	<b>(2,992)</b>	<b>(3,019)</b>	<b>(3,059)</b>	<b>(3,088)</b>	<b>(3,089)</b>
52	Income from sale of land Pinewood/Hazledene	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
	<b>TOTAL INCOME</b>	<b>(5,992)</b>	<b>(6,019)</b>	<b>(6,059)</b>	<b>(6,088)</b>	<b>(6,089)</b>
	<b>Net (Surplus)/Deficit</b>	<b>723</b>	<b>(122)</b>	<b>(119)</b>	<b>(123)</b>	<b>(101)</b>
53	<b>Movement in Reserves</b>					
	<b>Projected Balance at 31 March 2014</b>	<b>(7,048)</b>				
	Estimated Movement in 2014/15	723				
	<b>Projected Balance at 31 March 2015</b>	<b>(6,325)</b>	<b>(6,325)</b>			
	Estimated Movement in 2015/16		(122)			
	<b>Projected Balance at 31 March 2016</b>		<b>(6,447)</b>	<b>(6,447)</b>		
	Estimated Movement in 2016/17			(119)		
	<b>Projected Balance at 31 March 2017</b>			<b>(6,566)</b>	<b>(6,566)</b>	
	Estimated Movement in 2017/18				(123)	
	<b>Projected Balance at 31 March 2018</b>				<b>(6,690)</b>	<b>(6,690)</b>
	Estimated Movement in 2018/19					(101)
	<b>Projected Balance at 31 March 2019</b>					<b>(6,790)</b>

## **Appendix 1**

### **Notes to accompany Common Good Budget**

#### **Note 1**

Insurance costs for properties owned by the Common Good.

#### **Note 2**

Repairs and maintenance costs for properties owned by the Common Good.

#### **Note 3**

A contribution towards the fees paid to the Carillonneur.

#### **Note 4**

Items including the printing of the Town House brochure and promoting the Office of the Lord Provost.

#### **Note 5**

Provision of refreshments during official City Council business.

#### **Note 6**

Core funding for Aberdeen Citizen's Advice Bureau.

#### **Note 7**

Provision of financial and organisational support to people, communities and organisations in the City wishing to become involved in twin city projects, and also contributes to the costs of a Twinning Officer.

#### **Note 8**

Contribution towards the costs of Aberdeen International Youth Festival, the Lemon Tree and Peacock Visual Arts.

#### **Note 9**

Contribution towards the running costs of the City's annual Techfest festival.

#### **Note 10**

Grant to cover the cost of Satrosphere's rental of premises from Aberdeen City Council.

#### **Note 11**

Contribution towards the Aberdeen Bulawayo Trust, which provides support to people in Bulawayo, primarily focusing on the development of self-sustaining market gardens and the repair and maintenance of homes and shelters.

#### **Note 12**

Contribution towards the Aberdeen Gomel Trust, which addresses and helps to resolve the medical, nutritional, social and spiritual problems experienced by the people of Gomel.

#### **Note 13**

Funding for the Mary Garden Prize, currently presented as part of the Aberdeen International Youth Festival.

Note 14

3 annual £1,000 awards for the Quincentenary Prize, presented by the University of Aberdeen since 1995 to commemorate the 500<sup>th</sup> Anniversary of King's College.

Note 15

Match funding for Aberdeen Performing Arts in relation to a grant awarded by Creative Scotland towards the costs of programming at His Majesty's Theatre.

Note 16

Core funding for Aberdeen Safer Community Trust.

Note 17

City Council youth activity small grants scheme. This scheme offers young people opportunities to contribute to their own communities and to the life of the city.

Note 18

Grant to cover the cost of the rental of the Arts Centre.

Note 19

Funding towards the costs of organizing the events listed.

Note 20

Grant to cover the cost of the rental of the Lemon Tree.

Note 21

Budget to provide for a bus service to the crematorium.

Note 22

Funding for the City's Hogmanay celebrations

Note 23

Budget towards the costs of festive events held at the Council's leased community centres.

Note 24

Budget for the Civic Support team, incorporating the Lord Provost's secretariat, Town Sergeants and civic transportation.

Note 25

Budget for the cost of the Christmas illuminations.

Note 26

Budget to cover the costs of administering and delivering the 50+ development programme and entertainment for the elderly and disabled.

Note 27

Budget to cover the salary costs of a development officer to work with elderly citizens.

Note 28

Budget to cover the costs of hosting civic receptions.

Note 29

Budget for promotional civic hospitality.

Note 30

Contribution towards the costs of running the City Archive Unit.

Note 31

Budget to cover the allocation of central support costs such as finance, HR and office accommodation.

Note 32

Funding for the Home Safety Check Scheme run by Aberdeen City Council.

Note 33

Budget to cover the rental and running costs for the charity shop in George Street.

Note 34

Funding for the Personal Alarms distributed on behalf of the City Council by Aberdeen Safer Community Trust.

Note 35

The Civic Gift Fund provides a budget for the purchase of gifts presented to guest and visitors by the Lord Provost on behalf of the City.

Note 36

This budget covers the costs incurred by the Lord Provost in discharging his duties as Lord Lieutenant.

Note 37

Budget for the costs of the annual of the Armistice Day event.

Note 38

Funding for pictures loaned from the Art Gallery for display in other Council buildings.

Note 39

Funding towards the costs of the Depute Provost's activities in building and enhancing business links for the benefit of the City of Aberdeen.

**Items 40 to 48 are one-off items of expenditure and therefore non-recurring.**

Note 40

Budget for the rebuild of a steading at Kepplestone and Kirkhills Farm. The buildings have now been in a poor condition for some time and are long overdue for replacement.



Note 41

Replacing a building at Fernhill Farm which has been demolished as it was dangerous.

Note 42

Budget for consultancy costs in relation to the properties owned by the Common Good.

Note 43

Funding towards the costs of 4 Scots Homecoming Parade down Union Street.

Note 44

Funding the costs of the Auchmill Golf Course works as part of the Greenferns Development. This is the amount over the earmarked reserves already set aside.

Note 45

Funding the costs of electrical and asbestos surveys on properties owned by the Common Good as there are a number of properties in need of upgrading.

Note 46

This is a budget to cover the future costs of providing a Lord Provost portrait.

Note 47

This is the investment of the income from the sale of land at Pinewood.

Note 48

Around 100 properties have registerable leases on land owned by the Common Good. In addition to this, the Common Good owns land at Brimmond Hill, Hazlehead, Hilton, Hillhead of Pitfodels, Kincorth, Kepplehills, Tullos and Mastrick, all of which generate income for the Common Good.

Note 49

This is a budget to cover interest received on invested funds.

Note 50

The Common Good owns 51% of the Lands of Torry Trust and 30% of the Lands of Skene Trust. These trusts earn income in rents and interest from investment.

Note 51

This is a budget to represent income from admission fees for Burgesses of Guild and Trade.

Note 52

This is the income from the sale of land at Pinewood.

Note 53

This line represents the movement in the Common Good's cash reserves.

## **Appendix 2 – Common Good Financial Strategy**

(As approved by Finance & Resources Committee 6<sup>th</sup> December 2012)

This document sets 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.

### **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.