

❖ Common Good Fund

The Common Good is the ancient patrimony of the former burghs with additions which have taken place from time to time. The most concise statement of the administration of the Common Good Fund is contained in a judgement by Lord Kyllachy - "The Common Good is corporate property and falls as such to be administered by the council - and applied by them for the benefit of the community in such manner as, and using reasonable judgement as, they think proper". It is an indispensable qualification of any object to which the Common Good can be legally applied that it should be one in which the general public of Glasgow City Council, as distinct from the general public of any other locality, is interested.

The Common Good Fund (the Fund) primarily meets the cost of civic ceremonies and hospitality to distinguished visitors to the city. The principal assets of the Fund are its various properties throughout the city and financial investments.

The net deficit for the year was £0.067 million. This was mainly due to a lower return on investments than expected. The council has an approved policy to retain the overall value of the Fund over time. The net worth of the Fund was £15.607 million as at 31 March 2012 (£15.807 million at 31 March 2011).

Common Good Fund Movement in Reserves Statement

	Usable Reserves: Common Good Fund £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2010	14,220	1,385	15,605
Movement in reserves during 2010/11:			
Surplus or (Deficit) on the Provision of Services	(89)	0	(89)
Other Comprehensive Income and (Expenditure)	0	291	291
Increase or (Decrease) in the year	(89)	291	202
Balance at 31 March 2011	14,131	1,676	15,807
Movement in reserves during 2011/12:			
Surplus or (Deficit) on the provision of services	(67)	0	(67)
Other Comprehensive Income and (Expenditure)	0	(133)	(133)
Increase or (Decrease) in the year	(67)	(133)	(200)
Balance at 31 March 2012	14,064	1,543	15,607

More detail on Unusable Reserves is provided in note 4 (page 73).

Comprehensive Income and Expenditure Statement for the year ended 31 March 2012

2010/11 £000		2011/12 £000
924	Gross expenditure	942
(114)	Gross income	(117)
810	Cost of Services	825
(601)	Interest and investment income	(665)
(120)	Income, expenditure and changes in the fair value of investment properties	(93)
(721)	Financing and Investment Income and Expenditure	(758)
89	(Surplus) or Deficit on the Provision of Services	67
(291)	(Surplus) or Deficit on revaluation of Available-for-sale Financial Assets	133
(202)	Total Comprehensive (Income) and Expenditure	200

Balance Sheet as at 31 March 2012

31 March 11 £000		Note	31 March 12 £000
1,800	Investment property	2	1,800
13,718	Long-term investments	3	13,120
15,518	Long-term Assets		14,920
52	Short-term investments	3	415
16	Inventories		12
156	Net short-term debtors		164
168	Cash and cash equivalents		264
392	Current Assets		855
(103)	Short-term creditors		(168)
(103)	Current Liabilities		(168)
15,807	Net Assets		15,607
14,131	Usable Reserves: Common Good Fund	4	14,064
1,676	Unusable Reserves	4	1,543
15,807	Total Reserves		15,607

Notes to the Common Good Fund

1. Accounting policies

- 1.1 The financial statements for the year ended 31 March 2012 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of the Fund.
- 1.2 The accounting concepts of materiality, accruals, going concern and primacy of legislative requirements have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. The going concern concept assumes that the council will not significantly curtail the scale of its operation. Wherever accounting principles and legislative requirements are in conflict the latter shall apply.
- 1.3 The accounting convention adopted is historical cost modified by the revaluation of certain categories of long-term assets and the fair value of investments.

2. Investment property

The Fund owns a number of properties across the city, which are held to generate rental income and / or capital appreciation. They are therefore accounted for as investment property and held at fair value in accordance with the Code. The fair value must reflect market conditions at the balance sheet date and thus the fair value of investment property is reviewed annually by the Head of Asset Management, Andy Young BSc MRICS for material differences. Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services line. Investment properties are not depreciated. The consumption of the economic benefits in the asset over time is, instead, automatically reflected in the property's fair value. All the investment properties are leased under operating leases to third parties. The amounts received in rental income are detailed at note 5 (page 73).

3. Short and long-term investments

The investments were managed by Ruffer Limited Liability Partnership during the year. The fair value of investments as at 31 March 2012 was £13.535 million (31 March 2011 £13.770 million). These are split between short and long-term investments on the Common Good Balance Sheet.

The investment objectives of the funds are to achieve low volatility, positive returns from an actively managed portfolio of different asset classes, including internationally listed or quoted equities or equity related securities (including convertibles) or bonds which are issued by corporate issuers, supra-nationals or government organisations and currencies. The portfolio may also be invested in collective investment schemes, cash and money market instruments. Pervading this objective is a fundamental philosophy of capital preservation. The principal performance objective of the portfolio is to achieve a positive total annual return, after all expenses, of double the Bank of England base rate.

4. Reserves

The Code requires reserves to be summarised as usable and unusable. The Common Good Fund is the sole usable reserve and represents the accumulated surplus of the Fund. The balance on the Fund stands at £14.064 million as at 31 March 2012, a decrease of £0.067 million from last year, due mainly to the losses on investments debited to provision of services in the year. The balance includes £0.109 million relating to previous revaluation gains on the Fund's investment properties, which would only become available if these assets were liquidated.

Unusable reserves relate to the Available-for-sale Financial Instruments Reserve, which contains the gains or losses made by the Fund arising from changes in the value of its investments that have quoted market prices. The balance is reduced when investments are revalued downward or impaired, or disposed of and the gains are realised. The balance on the reserve stands at £1.543 million as at 31 March 2012, a decrease of £0.133 million from last year due to the deficit on revaluation of available-for-sale financial assets.

5. Analysis of income and expenditure

A breakdown of the Fund's in-year income and expenditure is provided below:

2010/11 £000		2011/12 £000	%
Where the money came from			
(601)	Interest and gains on investments	(665)	65.57
(160)	Rental income	(232)	22.89
(114)	Other receipts	(117)	11.54
(875)	Total income	(1,014)	100.00
How the money was spent			
640	Civic hospitality	653	60.43
183	Council buffet training kitchen	183	16.90
40	Investment property costs	139	12.89
99	Treasury management	104	9.62
2	Other supplies and services	2	0.16
964	Total expenditure	1,081	100.00
89	(Surplus) or Deficit on the Provision of Services	67	

The council buffet training kitchen provided training for 71 trainees during 2011/12. This service is charged by Cordia who provides the training on a one to one basis.