



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Executive Director of Finance

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Item 7

13th February 2019

Common Good Fund: Budget 2019-20

Purpose of Report:

To present the draft Common Good Fund budget in 2019-20.

Recommendations:

It is recommended that the Committee:

- Notes the proposed budget for 2019-20 assuming no change to the existing use of the Common Good Fund.
- Agrees that the proposed budget for 2019-20 is recommended to the City Administration Committee.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No

consulted: Yes No

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1. Introduction

- 1.1 On 7 May 2014, the Finance and Audit Scrutiny Committee agreed to a review of the existing Common Good Policy arrangements. On 19 November 2014, the Finance and Audit Scrutiny Committee noted the revised policy and agreed to recommend this policy to the Executive Committee. This policy was approved by the Executive Committee on the 5 February 2015.
- 1.2 The Finance and Audit Scrutiny Committee will consider the budget annually and make recommendations to the Executive Committee for their consideration for the following year. The Executive Committee agreed as part of the 2014-15 budget, that the budget objective will be to balance the revenue budget without any requirement for a draw from the capital of the Common Good Fund for ongoing operational expenditure, without impinging on the ability of the Council to offer civic hospitality and for this to be achieved during the term of this Council.
- 1.3 The purpose of this report is to review and agree the use of the Common Good Fund budget in 2019-20.

2. Use of Common Good Fund

- 2.1 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”.
- 2.2 Currently the Common Good Fund primarily meets the cost of civic ceremonies and hospitality. However, the funds could reasonably be applied to a wide range of uses as long as they meet the criteria outlined in 2.1. The budget has been prepared on the basis of use in 2018-19 and taking into account the decision of the Executive Committee as outlined in paragraph 1.2 above.

3. Budgeting for Common Good Expenditure

- 3.1 The Policy reflects the continued commitment to maintain the overall capital value of the Common Good Fund over time. Since March 2009 the Fund has grown from £13.4 million to £18.0 million at March 2018.
- 3.2 During 2017-18, the net worth of the fund decreased by £0.345 million. This was mainly due to a decrease in the unusable reserves of £0.640 million due to the movement on revaluation of available-for-sale financial assets in 2017-18 offset by a surplus on the provision of services of £0.295 million. The main reason for the losses was market volatility.
- 3.3 In line with the budget objective shown at section 1.2 above, it is anticipated that the total income expected to be available in 2019-20 from investments, commission and rents will be sufficient to cover the total expenditure.

- 3.4 At period 10 in 2018-19, the level of civic hospitality budget which remains uncommitted for the year is £245,000 indicating a likely underspend on the civic hospitality budget during 2018-19.
- 3.5 Appendix 1 includes a proposed draft budget for 2019-20. This reflects the Executive Committee decision by including a prudent estimate of the expected realised gain on investments. If in any year, the net expenditure in the Fund results in an overall net expenditure position, then the expectation would be that the budget would be set to recover the value of the Fund over the medium term. Equally, this approach may enable the Fund to continue to grow over time, for example if realised or unrealised investment gains exceed those in the approved budget.

4. Budget Changes

- 4.1 It is proposed that Gross Expenditure remains at £747,000 with Civic Hospitality decreasing to £522,000 as a reflection on the underspend in civic hospitality in previous years. The increased miscellaneous charges comprise annual fees of approximately £130,000 to Ruffer, the Common Good portfolio managers; purchase of services, food provisions and stationery of £5,000 and the cost of accountancy support and audit fee to the Common Good of £20,000.
- 4.2 It is proposed that property costs budget is decreased to £70,000 due to consistent underspend in previous years. This revised estimate will still ensure there is a provision for the necessary refurbishment costs of 37 Riverford Road property, estimated at approximately £15,000 and new water charges of unoccupied properties.
- 4.3 The budget for commission income received from Glasgow City Council's Property and Landlord Services in direct relation to Civic Hospitality has also been reduced accordingly, decreasing to £52,000. The rental income has been increased to £247,000 and Investment Income & Realised Gains remains at £448,000, reflecting a prudent estimate of the expected gain on investments.

5. Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	Financial Implications are outlined in the paragraphs above
<i>Legal:</i>	No legal implications
<i>Personnel:</i>	No personnel implications
<i>Procurement:</i>	No procurement implications
Council Strategic Plan:	Common Good impacts positively on 'A Vibrant City' – one of the 7 cross cutting themes in the Council Strategic Plan 2017 to 2022

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2017-22

Outcome 1, no major change required

What are the potential equality impacts as a result of this report?

No significant impact, Common Good is administered by the Council and applied for the benefit of the community

Please highlight if the policy/proposal will help address socio economic disadvantage.

Sustainability Impacts:

Environmental:

No direct impact

Social, including Article 19 opportunities:

No direct impact

Economic:

No direct impact

Privacy and Data Protection Impacts:

No direct impact

6. Recommendations

6.1 It is recommended that the Committee:

- Notes the proposed budget for 2019-20 assuming no change to the existing use of the Common Good Fund.
- Agrees that the draft budget for 2019-20 is recommended to the City Administration Committee.

Appendix 1

GLASGOW CITY COUNCIL COMMON GOOD DRAFT BUDGET FOR 2019/20

EXPENDITURE

Budget for 2018/19		Draft Budget for 2019/20
£000		£000
544	Civic Hospitality	522
73	Property Costs	70
130	Miscellaneous Charges	155
<hr/> 747 <hr/>	TOTAL GROSS EXPENDITURE	<hr/> 747 <hr/>

INCOME

Draft Budget for 2018/19		Draft Budget for 2019/20
£000		£000
448	Investment Income & Realised Gains	448
54	Commission	52
245	Rental Income	247
<hr/> 747 <hr/>	TOTAL DEPARTMENTAL INCOME	<hr/> 747 <hr/>
<hr/> 0 <hr/>	DIRECT NET EXPENDITURE	<hr/> 0 <hr/>