



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Executive Director of Finance

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Item 5

23rd February 2022

### Common Good Fund: Budget 2022-23

#### Purpose of Report:

To present the draft Common Good Fund budget in 2022-23.

#### Recommendations:

It is recommended that the Committee:

- Notes the proposed budget for 2022-23 assuming no change to the existing use of the Common Good Fund.
- Agrees that the proposed budget for 2022-23 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 2022-23.

## **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 2021-22 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 £22.7 million at March 2021.
- 3.2 During 2020-21, the net worth of the fund increased by £3.996 million. This was due to an increase in the usable reserves of £3.996 million resulting mainly from increased valuation of investments.
- 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 2022-23 from investments, commission and rents will be sufficient to cover the total expenditure.

- 3.4 At period 10 2021-22, the level of Civic Hospitality budget uncommitted for the year is £173,314, indicating a likely underspend on this budget during 2021-22. This is mainly due to the Covid-19 restrictions that have been in place for the year to date.
- 3.5 A report was approved by the City Administration Committee on 19<sup>th</sup> August 2021 which provides a grant allocation for the Citizens Theatre through the Common Good Fund, which will be managed through the reduced requirement for Civic Hospitality in 2021-22.
- 3.6 Appendix 1 includes a proposed draft budget for 2022-23. 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 increases to £771,000 with Civic Hospitality increasing to £430,000, this reflects the pre-pandemic budget allocation with a view that the easing of Covid-19 restrictions will enable a return to Civic Hospitality throughout 2022-23. The miscellaneous charges comprise annual fees of approximately £160,000 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. In addition, the ongoing cost of legal support in respect of the comprehensive review of title deeds of £77,000 is included in miscellaneous charges.
- 4.2 It is proposed that the property costs budget is increased to £79,000 due to inflationary cost increases. This revised estimate will ensure there is a provision for the necessary refurbishment costs and water charges of unoccupied properties.
- 4.3 The budget for commission income received from Glasgow City Council's Financial Services in direct relation to Civic Hospitality has been increased accordingly, increasing to £42,000. The rental income has been increased to £255,000 and Investment Income & Realised Gains increased to £474,000, reflecting a prudent estimate of the expected gain on investments.

#### **5. Policy and Resource Implications**

##### **Resource Implications:**

*Financial:* Financial Implications are outlined in the paragraphs above

*Legal:* No legal implications

<i>Personnel:</i>	No personnel implications
<i>Procurement:</i>	No procurement implications
<b>Council Strategic Plan:</b>	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 Opportunities under Article 20 Of the European Public Procurement Directive:* 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 2022-23 assuming no change to the existing use of the Common Good Fund.
- Agrees that the draft budget for 2022-23 is recommended to the City Administration Committee.

## Appendix 1

### GLASGOW CITY COUNCIL COMMON GOOD DRAFT BUDGET FOR 2022/23

#### EXPENDITURE

<b>Budget for 2021/22</b>		<b>Draft Budget for 2022/23</b>
<b>£000</b>		<b>£000</b>
215	Civic Hospitality	430
75	Property Costs	79
238	Miscellaneous Charges	262
<hr/> <b>528</b> <hr/>	<b>TOTAL GROSS EXPENDITURE</b>	<hr/> <b>771</b> <hr/>

#### INCOME

<b>Budget for 2021/22</b>		<b>Draft Budget for 2022/23</b>
<b>£000</b>		<b>£000</b>
448	Investment Income & Realised Gains	474
21	Commission	42
252	Rental Income	255
<hr/> <b>721</b> <hr/>	<b>TOTAL DEPARTMENTAL INCOME</b>	<hr/> <b>771</b> <hr/>
<hr/> <b>193</b> <hr/>	<b>DIRECT NET INCOME</b>	<hr/> <b>0</b> <hr/>