

ITEM 5 (a)

24th February 2010



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Executive Director of Financial Services

Contact: Morag Johnston Ext: 74316

Common Good Fund: Budget 2010-11

Purpose of report:

To seek the views of the Finance and Audit Scrutiny Committee on the use of Common Good Fund budget in 2010-11 in order to make recommendations to the Executive Committee.

Recommendations:

It is recommended that the Committee:

- Notes the proposed budget for 2010-11 assuming no change to the existing use of the Common Good Fund
- Agrees the proposals contained in this report or brings forward alternative proposals on the use of the Common Good Fund in 2010-11.

Ward No(s):

Citywide:

Local member(s) advised: Yes

No

Consulted: Yes

No

1. Background

- 1.1 On 23 January 2009 the Executive Committee approved a report on revised governance arrangements and policy for the Common Good Fund. This confirmed that the Executive Committee had responsibility for approving the Common Good Fund budget.
- 1.2 However the policy also allowed for the Finance Corporate and Trading Services Policy, Development and Scrutiny Committee (now succeeded by the Finance and Audit Scrutiny Committee) to review the budget annually and make recommendations to the Executive Committee for implementation the following year. The purpose of this report is to review and agree the use of the Common Good Fund budget in 2010-11 and make recommendations to the Executive Committee.

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”. 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.
- 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 2009-10 however comments are invited on its use in 2010-11.

3. Budgeting for Common Good Expenditure

- 3.1 The report on revised governance arrangements also confirmed that the capital of the Fund should be maintained over time. The draft budget attached has been prepared showing nil net expenditure for the year.
- 3.2 The primary income stream for the Fund is derived from returns on investments and is therefore dependent on prevalent market conditions. The actual income for the year ending 31 March is therefore not known until the Common Good annual accounts are prepared in May. Since the budget is finalised in March, it is not known what the exact income for the preceding or forthcoming year will be.
- 3.3 For the budget for 2009-10 the approach taken to ensure that the policy outlined in paragraph 2.3 was fulfilled resulted in a significantly reduced budget for Civic Hospitality. In preparing the 2008-09 final accounts it became clear that the Fund’s investments had returned more than was expected when the budget was approved and this was subsequently added to the Civic Hospitality budget later in the year.
- 3.4 This approach provided the required flexibility on the Fund’s expenditure budget whilst also taking into account the policy that expenditure must not erode the capital held within the fund. However to provide some more certainty to the Civic Hospitality budget it is proposed that an assumed level of return on investment is included in the 2010-11 budget supported by performance reports to December 2009 which, as a minimum, allows the same level of budget for civic hospitality in 2010-11. If the return on investment is not achieved then this will be recovered as part of the 2011-12 budget for Common Good.

3.5 This approach means that the capital of the Common Good Fund is maintained but smoothed over 1-2 years. The Draft Budget for 2010-11 is attached at Appendix 1.

4. Recommendations

4.1 It is recommended that the Committee:

- Notes the proposed budget for 2010-11 assuming no change to the existing use of the Common Good Fund
- Agrees the proposals contained in this report or brings forward alternative proposals on the use of the Common Good Fund in 2010-11.

**GLASGOW CITY COUNCIL
COMMON GOOD
DRAFT BUDGET FOR 2010/11**

EXPENDITURE

Revised Budget for 2009/10	HEADING	Proposed Budget for 2010/11
£000		£000
180	Council Buffet	182
874	Civic Hospitality	874
39	Properties and Feu Duties	55
10	Miscellaneous Charges	10
1,103	TOTAL GROSS EXPENDITURE	1,121

INCOME

Revised Budget for 2009/10		Proposed Budget for 2010/11
£000		£000
91	Council Buffet	91
366	Civic Hospitality	297
235	Properties and Feu Duties	245
1	Miscellaneous Charges	1
410	Contribution from Common Good Fund	487
1,103	TOTAL DEPARTMENTAL INCOME	1,121
0	DIRECT NET EXPENDITURE	0
0	Specific Government Grant	0
0	ADJUSTED SERVICE NET EXPENDITURE	0