

❖ Common Good Fund

The Common Good is the ancient patrimony of the former burghs, with additions that 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 council has an approved policy to maintain the overall value of the Fund over time. The net worth of the Fund was £18.351 million as at 31 March 2015 (£16.402 million at 31 March 2014).

Common Good Fund Movement in Reserves Statement

	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2013	13,925	2,322	16,247
Movement in reserves during 2013/14:			
Surplus or (Deficit) on the Provision of Services	565	0	565
Other Comprehensive Income and (Expenditure)	0	(410)	(410)
Increase or (Decrease) in the year	565	(410)	155
Balance at 31 March 2014	14,490	1,912	16,402
Movement in reserves during 2014/15:			
Surplus or (Deficit) on the Provision of Services	1,485	0	1,485
Other Comprehensive Income and (Expenditure)	0	464	464
Increase or (Decrease) in the year	1,485	464	1,949
Balance at 31 March 2015	15,975	2,376	18,351

More detail on Unusable Reserves is provided in note 5 to the Common Good Fund (page 4).

Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

2013/14 £000		Note	2014/15 £000
516	Gross expenditure		968
(67)	Gross income		(57)
449	Cost of Services		911
(850)	Interest and investment income		(1,700)
(164)	Income, expenditure and changes in the fair value of investment properties		(696)
(1,014)	Financing and Investment (Income) and Expenditure		(2,396)
(565)	(Surplus) or Deficit on the Provision of Services	6	(1,485)
410	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets		(464)
(155)	Total Comprehensive (Income) and Expenditure		(1,949)

Balance Sheet as at 31 March 2015

31 March 14 £000		Note	31 March 15 £000
1,800	Investment property	2	2,315
13,679	Long-term investments	3	14,146
15,479	Long-term Assets		16,461
589	Short-term investments	3	1,382
4	Inventories		16
114	Net short-term debtors		87
326	Cash and cash equivalents	4	507
1,033	Current Assets		1,992
(110)	Short-term creditors		(102)
(110)	Current Liabilities		(102)
16,402	Net Assets		18,351
14,490	Usable Reserves	5	15,975
1,912	Unusable Reserves	5	2,376
16,402	Total Reserves		18,351

Notes to the Common Good Fund

1. Accounting policies

- 1.1 The financial statements for the year ended 31 March 2015 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 2014/15 (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 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. 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 6 (page 4).

3. Short and long-term investments

The Fund's investments were managed by Ruffer Limited Liability Partnership during the year. The fair value of investments as at 31 March 2015 was £15.528 million (£14.268 million at 31 March 2014). These are split between Short and Long-term investments on the Common Good Fund Balance Sheet.

The investment objective of the Fund is 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. Cash and cash equivalents

Cash and cash equivalents of £0.507 million represents the balance held in the council's loans fund at 31 March 2015 (£0.326 million at 31 March 2014).

5. Reserves

The Code requires reserves to be summarised as Usable and Unusable Reserves. The Usable Reserve represents the accumulated Surplus on the Provision of Services. This balance stands at £15.975 million at 31 March 2015, an increase of £1.485 million from the previous year.

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 £2.376 million as at 31 March 2015, an increase of £0.464 million from last year due to the movement on revaluation of available-for-sale financial assets.

The overall net worth of the Common Good Fund has, therefore, increased by £1.949 million.

6. Analysis of income and expenditure

The following table provides an analysis of the Fund's income and expenditure:

2013/14 £000		2014/15 £000	%
Where the money came from			
(850)	Interest and gains on investments	(2,215)	89
(240)	Rental income	(235)	9
(67)	Other receipts	(57)	2
(1,157)	Total income	(2,507)	100
How the money was spent			
419	Civic hospitality	437	43
77	Investment property costs	55	5
93	Treasury management	121	12
3	Other supplies and services	9	1
0	Contribution to Citizen Theatre	400	39
592	Total expenditure	1,022	100
(565)	(Surplus) or Deficit on the Provision of Services	(1,485)	