

## ❖ 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 £0.089 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 £15.807 million as at 31 March 2011 (£15.605 million at 31 March 2010).

### Common Good Fund Movement in Reserves Statement

	Usable Reserves: Common Good Fund £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2009</b>	<b>14,166</b>	<b>(712)</b>	<b>13,454</b>
<b>Movement in reserves during 2009/10:</b>			
Surplus or (Deficit) on the Provision of Services	54	0	54
Other Comprehensive Income and (Expenditure)	0	2,097	2,097
<b>Increase or (Decrease) in the year</b>	<b>54</b>	<b>2,097</b>	<b>2,151</b>
<b>Balance at 31 March 2010</b>	<b>14,220</b>	<b>1,385</b>	<b>15,605</b>
<b>Movement in reserves during 2010/11:</b>			
Surplus or (Deficit) on the provision of services	(89)	0	(89)
Other Comprehensive Income and (Expenditure)	0	291	291
<b>Increase or (Decrease) in the year</b>	<b>(89)</b>	<b>291</b>	<b>202</b>
<b>Balance at 31 March 2011</b>	<b>14,131</b>	<b>1,676</b>	<b>15,807</b>

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

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2011

2009/10 £000		2010/11 £000
1,091	Gross expenditure	924
(129)	Gross income	(114)
<b>962</b>	<b>Cost of Services</b>	<b>810</b>
(876)	Interest and investment income	(601)
(140)	Income, expenditure and changes in the fair value of investment properties	(120)
<b>(1,016)</b>	<b>Financing and Investment Income and Expenditure</b>	<b>(721)</b>
<b>(54)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>89</b>
(2,097)	(Surplus) or Deficit on revaluation of Available-for-sale Financial Assets	(291)
<b>(2,151)</b>	<b>Total Comprehensive (Income) and Expenditure</b>	<b>(202)</b>

## Balance Sheet as at 31 March 2011

1 April 09 £000	31 March 10 £000		Note	31 March 11 £000
1,800	1,800	Investment property	2	1,800
11,144	13,302	Long-term investments	3	13,718
<b>12,944</b>	<b>15,102</b>	<b>Long-term Assets</b>		<b>15,518</b>
437	86	Short-term investments	3	52
7	5	Inventories		16
204	275	Net short-term debtors		156
0	291	Cash and cash equivalents		168
<b>648</b>	<b>657</b>	<b>Current Assets</b>		<b>392</b>
(108)	0	Short-term borrowing		0
(30)	(154)	Short-term creditors		(103)
<b>(138)</b>	<b>(154)</b>	<b>Current Liabilities</b>		<b>(103)</b>
<b>13,454</b>	<b>15,605</b>	<b>Net Assets</b>		<b>15,807</b>
14,166	14,220	Usable Reserves: Common Good Fund	4	14,131
(712)	1,385	Unusable Reserves	4	1,676
<b>13,454</b>	<b>15,605</b>	<b>Total Reserves</b>		<b>15,807</b>

## Notes to the Common Good Fund

### 1. Accounting policies

- 1.1 The financial statements for the year ended 31 March 2011 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 2010/11 (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 As the financial statements have been prepared on an IFRS basis for the first time, they have been restated as follows:
- Tangible fixed assets have been reclassified as investment properties and associated Revaluation Reserve balances of £109,000 have been credited to the Common Good Fund as at 1 April 2009; and
  - The presentation and format of the primary statements have been amended to comply with the Code requirements.
- 1.3 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.
- 1.4 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 79).

### 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 2011 was £13.770 million (31 March 2010 £13.388 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 £14.131 million as at 31 March 2011, a decrease of £0.089 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 £1.676 million as at 31 March 2011, an increase of £0.291 million from last year due to the surplus 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:

2009/10 £000		2010/11 £000	%
<b>Where the money came from</b>			
(876)	Interest and gains on investments	(601)	68.70
(192)	Rental income	(160)	18.28
(129)	Other receipts	(114)	13.02
<b>(1,197)</b>	<b>Total income</b>	<b>(875)</b>	<b>100.00</b>
<b>How the money was spent</b>			
798	Civic hospitality	640	66.39
182	Council buffet training kitchen	183	18.98
57	Investment property costs	40	4.14
101	Treasury management	99	10.26
5	Other supplies and services	2	0.23
<b>1,143</b>	<b>Total expenditure</b>	<b>964</b>	<b>100.00</b>
<b>(54)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>89</b>	

The council buffet training kitchen provided training for 20 trainees during 2010/11. This service is charged by Cordia who provides the training on a one to one basis.