

❖ 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 council has an approved policy to maintain the overall value of the Fund over time. The net worth of the Fund was £16.402 million as at 31 March 2014 (£16.247 million at 31 March 2013).

Common Good Fund Movement in Reserves Statement

	Usable Reserves: Common Good Fund £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2012	14,064	1,543	15,607
Movement in reserves during 2012/13:			
Surplus or (Deficit) on the Provision of Services	(139)	0	(139)
Other Comprehensive Income and (Expenditure)	0	779	779
Increase or (Decrease) in the year	(139)	779	640
Balance at 31 March 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

More detail on Unusable Reserves is provided in note 4 (page 73).

Comprehensive Income and Expenditure Statement for the year ended 31 March 2014

2012/13 £000		2013/14 £000
898	Gross expenditure	516
(61)	Gross income	(67)
837	Cost of Services	449
(551)	Interest and investment income	(850)
(147)	Income, expenditure and changes in the fair value of investment properties	(164)
(698)	Financing and Investment Income and Expenditure	(1,014)
139	(Surplus) or Deficit on the Provision of Services (note 5)	(565)
(779)	(Surplus) or Deficit on revaluation of Available-for-sale Financial Assets	410
(640)	Total Comprehensive (Income) and Expenditure	(155)

Balance Sheet as at 31 March 2014

31 March 13 £000		Note	31 March 14 £000
1,800	Investment property	2	1,800
13,442	Long-term investments	3	13,679
15,242	Long-term Assets		15,479
889	Short-term investments	3	589
7	Inventories		4
117	Net short-term debtors		114
133	Cash and cash equivalents		326
1,146	Current Assets		1,033
(141)	Short-term creditors		(110)
(141)	Current Liabilities		(110)
16,247	Net Assets		16,402
13,925	Usable Reserves: Common Good Fund	4	14,490
2,322	Unusable Reserves	4	1,912
16,247	Total Reserves		16,402

Notes to the Common Good Fund

1. Accounting policies

- 1.1 The financial statements for the year ended 31 March 2014 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 2013/14 (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 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 73).

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 2014 was £14.268 million (31 March 2013 £14.331 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 £14.490 million as at 31 March 2014, an increase of £0.565 million from last 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 £1.912 million as at 31 March 2014, a decrease of £0.410 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 £0.155 million.

5. Analysis of income and expenditure

A breakdown of the Fund's in-year income and expenditure is provided below:

2012/13 £000		2013/14 £000	%
Where the money came from			
(551)	Interest and gains on investments	(850)	73%
(229)	Rental income	(240)	21%
(61)	Other receipts	(67)	6%
(841)	Total income	(1,157)	
How the money was spent			
667	Civic hospitality	419	71%
113	Council buffet training kitchen	0	0%
82	Investment property costs	77	13%
110	Treasury management	93	16%
8	Other supplies and services	3	0%
980	Total expenditure	592	
139	(Surplus) or Deficit on the Provision of Services	(565)	

The council buffet training kitchen was funded by the Common Good Fund up to 2012/13. This facility is now funded by Cordia (Services) Limited Liability Partnership.