

PERTH COMMON GOOD FUND COMMITTEE**28 February 2018****2018/19 BUDGET &
2017/18 FINANCIAL STATEMENT****Joint Report by Head of Finance & Executive Director (Environment)****PURPOSE OF REPORT**

This report seeks approval of the budget for Financial Year 2018/19 for Perth Common Good Fund and details the Income and Expenditure to 31 January 2018 and the projected outturn for Financial Year 2017/18.

1. BACKGROUND / MAIN ISSUES

- 1.1 The budget for Financial Year 2017/18 was approved by the Committee on 22 February 2017 (Report 17/78 refers) following the approval of the revised criteria for Financial Assistance (Report 17/77 refers) at the same meeting.
- 1.2 The 2017/18 Financial Assistance budget was split to create separate budgets for the funding of different categories of Financial Assistance awards. In addition the Committee approved proposals for maintaining a minimum Revenue Account balance over the medium term and for the earmarking of Revenue Reserves to fund specific Common Good property and infrastructure projects.
- 1.3 The proposed budget for 2018/19 has been prepared based on activity undertaken in previous financial years, adjusted for anticipated changes in 2018/19. Appendix 1 provides the proposed 2018/19 Budget for the Perth Common Good Fund and the draft budgets for 2019/20 and 2020/21; Appendix 2 provides an estimate of income and expenditure over the medium term.
- 1.4 This report also provides the monitoring position and projected outturn for the Financial Year 2017/18.

2. PROPOSALS**Budget 2018/19**

- 2.1 The proposed budget for 2018/19 and draft budgets for 2019/20 and 2020/21 are at current prices and have been prepared in line with activity for prior years, and the anticipated costs which are likely to be incurred in future years.
- 2.2 Appendix 1 provides details of the proposed and draft budgets in the traditional format and provides a summary of the actual outturn for the years 2015/16 and 2016/17, together with projected expenditure for 2017/18, the proposed budget for 2018/19, and draft budgets for 2019/20 and 2020/21. The projected deficit for the current financial year is mainly due to the rephasing of the works required for the Tay Railway Viaduct Steps project in 2017/18 (Report 17/330 refers).

- 2.3 The Tay Railway Viaduct Steps project is scheduled for completion in the next financial year and the proposed 2018/19 budget has, therefore, been adjusted to reflect the anticipated expenditure, with a corresponding reduction in the Repair & Renewal Reserve.
- 2.4 In line with the setting of the 2017/18 budget, further detail is provided in Appendix 2 to enhance the transparency of the annual income available for the funding of discretionary Financial Assistance awards. Appendix 2, therefore, provides detail of the annual income available to the Fund and includes the anticipated expenditure which will be incurred for fixed and variable costs, property repairs, and major upgrade expenditure before arriving at the income remaining to fund awards for Finance Assistance.
- 2.5 Also included within Appendix 2 is the proposed surplus as a percentage of the annual income of the Perth Common Good Fund. The proposed budgets for 2019/20 and 2020/21 assume a surplus of 7% of the annual income to provide contingency for any in-year movement in the actual income and/or expenditure of the Fund. It is anticipated that the pattern of property related expenditure will smooth in future years and from 2021/22 the surplus generated to allow for in-year movements will reduce to 3% of annual income.
- 2.6 Appendices 1 and 2 demonstrate that it is anticipated Perth Common Good Fund will return to a surplus in 2019/20 and future years and will therefore remain sustainable in the longer term provided that all assumptions remain unchanged. The projected deficit for 2018/19 is due to a significant infrastructure project, the costs of which will be funded from the earmarked Repair & Renewal Reserve.
- 2.7 The proposed adjustments to the budget between 2017/18 and 2018/19 are summarised below and are detailed within Appendix 1.
- 2.8 A number of risks remain and these have the potential to impact upon the longer term financial position of the Perth Common Good Fund:-
- (I) There remains the risk that the Perth Common Good Fund property portfolio is incomplete. It is not practical or cost effective to complete a full review of all Council owned property in Perth and, in common with the approach adopted by many other local authorities in Scotland, titles are reviewed when property is declared surplus or when a change of use is proposed. The Perth Common Good Fund may, therefore, potentially be liable for the future repair and upgrade costs for property which is not currently identified as common good.
 - (II) The Community Empowerment Bill received the Royal Assent on 24 July 2015 and became an Act, namely the Community Empowerment (Scotland) Act 2015. Different parts of the Act will come into force at different times as secondary legislation and/or guidance needs to be developed. Section 102 of the Act requires the Council to establish and maintain a register of property which is held by the authority as part of the common good and to publish a list of property that it proposes to include in the register. Section 104 of the Act requires the Council to consult community bodies prior to the disposal or change of use of a common good property.

Sections 102 and 104 of the Act are not yet in force, however, the Scottish Government issued draft guidance for consultation in 2017 and it is anticipated that the provisions will come into force when the guidance is finalised. Additional resource may be required to fully complete the review of property titles for Perth and there is, therefore, the risk that the Perth Common Good Fund may incur additional expenditure to progress and complete the review of titles.

- (III) There is a risk that the current property portfolio of the Perth Common Good Fund requires upgrade. An asset management plan for the property portfolio is currently being progressed, however until this is complete there remains the risk that the Perth Common Good Fund may continue to be exposed to unplanned expenditure.
- (IV) The 2018/19 Perth Common Good Fund budget and medium term plan is based upon a strategy of distributing the annual income of the Fund in full, whilst protecting the current Revenue Account balance of the Fund. There remains the risk that the balance may be further eroded in the event that there is a shortfall in income or if expenditure budgets are exceeded in any year.

Rent, Rates & Feu Duties

- 2.9 There has been an increase in the Rateable Value of the salmon fishing rights following the 2017 revaluation of rateable properties. The Rateable Value is used for the assessment of the amount due to the Tay District Salmon Fisheries Board. It is therefore proposed to increase the budget by £300 in line with the additional cost.

Repairs and Maintenance

- 2.10 It is proposed to maintain the General budget at £15,000 in line with the pattern of expenditure incurred during recent years. It is proposed that the Specific Projects budget is increased from £30,100 to £190,000 as detailed in Section 2.10 below in line with the expenditure profile for the Tay Railway Viaduct Steps project (Report 17/330 refers).
- 2.11 The Committee approved the award of the contract for the replacement of the Tay Railway Viaduct Steps at the meeting on 4 October 2017 (Report 17/330 refers). The £30,100 budget in 2017/18 will meet the cost of early design works, site investigations and the legal fees arising from Network Rail agreements. The £190,000 budget reflects the phasing of the works which remain to be completed in 2018/19, and includes a contingency allowance of £25,000. Any underspend on this project will be returned to the Repair & Renewal Reserve.

- 2.12 It is anticipated that the annual maintenance costs for the Moncreiffe Island causeway (Report 13/469 refers) and the existing Tay Railway Viaduct Steps (Report 15/591 refers) will be contained within the £15,000 core budget for the Repairs and Maintenance of property. The costs for the inspection and maintenance programme for the new steps will be incorporated into future budgets, however it is expected that these will also be contained within the core budget.

Depreciation

- 2.13 It is proposed to increase the budget for depreciation from £7,240 to £8,000 to allow for the potential increase in the depreciation charge for property requiring revaluation in 2018/19.

Financial Assistance

- 2.14 The review of Financial Assistance criteria during 2016/17 included analysis of grant funding which had been approved during the previous five years, and the 2017/18 Financial Assistance budget was revised accordingly. It is proposed that the budgets for Financial Assistance remain in line with 2017/18 and the total budget to support Fireworks, Small Grants, and Capital Grants, therefore, remains unchanged at £115,000.
- 2.15 The draft budgets for future years assume that the total Financial Assistance budget will remain at £115,000 in 2019/20 and 2020/21. It is anticipated that expenditure pressures will reduce thereafter and it is proposed to increase the allocation for the funding of Capital Grant expenditure by £10,000 in 2021/22, however, this is subject to all other assumptions remaining unchanged.

Administration Charges

- 2.16 The administration of the financial assistance grants for the Common Good Funds will transfer to the Communities Team within Corporate & Democratic Services with effect from 1 April 2018. It is proposed that the 2018/19 budget for Administration is increased from £10,000 to £15,000 to ensure that the administrative duties are adequately resourced.

Christmas Events

- 2.17 It is proposed that the 2018/19 budgets for expenditure on the storage, installation, removal and maintenance of Christmas lights and associated equipment remains at 2017/18 levels. In addition it is proposed that the 2018/19 budget for the Switch on Ceremony remains unchanged at £40,000. In the event that additional funding is required to support the Winter Festival programme, it is anticipated that an application for Financial Assistance will be submitted to this Committee for consideration prior to the advertising of the event.

Income

- 2.18 The proposed Rents and Interest on Investments budgets have been increased by £500 and £1,000 respectively in line with the anticipated rental and investment income to be received in 2018/19. The proposed budget for Fishing Permits has been maintained at £1,400 in line with income received during 2016/17. The Fishing Permit income received at this point in financial year 2017/18 is comparable to the income received in 2016/17.

Revenue Account Balance

- 2.19 The total useable Revenue Account balance is projected to be £1,660,200 at 31 March 2018. Assuming all forecasts remain unchanged, the Revenue Account Balance is projected to reduce to £1,486,500 at 31 March 2019.
- 2.20 A number of risks are outlined in Section 2.8 of this report and the Fund, therefore, remains susceptible to potential negative impact in the event that any of the risks materialise. In addition it would be prudent to maintain the Revenue Account balance at a reasonable level in order that the Fund can benefit in the event that investment interest rates were to increase in the future. It is, therefore, proposed that the balance of the Revenue Account continues to be maintained at a minimum of £1,000,000 to protect the longer term sustainability of the Fund.
- 2.21 The balance in the earmarked Repair & Renewal Reserve is projected to reduce to £99,900 by 31 March 2019 due to the expenditure which will be incurred on replacement of the Tay Railway Viaduct Steps during 2017/18 and 2018/19. The setting of the 2017/18 Budget included proposals to maintain the Repair & Renewal Reserve at £200,000 for the medium term pending completion of the asset management plan referred to in Section 2.8 (III). The asset management plan is progressing and it is proposed that the Repair & Renewal Reserve continues to be maintained at this level and is revisited when indicative costs and phasings are known.
- 2.22 The projected uncommitted balance at 31 March 2019 is, therefore, £286,500 and will remain available for the funding of any unforeseen obligations arising for the Perth Common Good Fund.

Financial Statement 2017/18

- 2.23 On the basis of Appendix 3, it is anticipated that there will be a deficit of £10,526 in 2017/18 and that the Fund's estimated Revenue Account Balance will be £1,660,200 at 31 March 2018. The projections assume approval of the funding requests included within the Financial Assistance report to be considered at this meeting.
- 2.24 Of the total balance a minimum of £1,000,000 is set aside to ensure the long term sustainability of the Fund, and £289,900 will remain earmarked in the Repair and Renewal Reserve for the funding of the Tay Railway Viaduct Steps project and potential repair works to Perth Common Good property. The projected uncommitted balance available for the funding of additional discretionary expenditure is therefore £370,300.

- 2.25 The indicative cost and programme of works for the upgrade of the shop at 2-4 North Methven Street is currently being progressed. It is anticipated that the cost of works will be funded from the Repair & Renewal Reserve and the required budget adjustments will be reported to a future meeting of this Committee.

3. CONCLUSION AND RECOMMENDATIONS

- 3.1 The proposed 2018/19 budget and draft budgets for 2019/20 and 2020/21 have been prepared using expenditure and income trends for the Fund and incorporate the anticipated future expenditure pressures arising from maintaining the Perth Common Good property portfolio.
- 3.2 Appendix 1 details the proposed 2018/19 Budget and draft budgets for 2019/20 and 2020/21. Appendix 2 provides the proposed allocation of the annual income of the Perth Common Good Fund over the period 2018/19 to 2022/23; taken together both appendices demonstrate the sustainability of the Perth Common Good Fund over the longer term.
- 3.3 The Committee is requested to:
- (i) Approve the Perth Common Good Fund budget for financial year 2018/19, as set out in Appendix 1;
 - (ii) Note the Perth Common Good Fund draft budget for financial years 2019/20 and 2020/21, as set out in Appendix 1;
 - (iii) Approve the proposals for maintaining and earmarking the Revenue Account balance noted in Sections 2.20 and 2.21;
 - (iv) Note the Perth Common Good Fund Income and Expenditure to 31 January 2018 and the projected outturn to 31 March 2018, as set out in Appendix 3.

Author(s)

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Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	31 January 2018
Barbara Renton	Executive Director (Environment)	31 January 2018
Jim Valentine	Depute Chief Executive and Chief Operating Officer	14 February 2018

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Corporate Plan

- 1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

- 1.2 This report relates to all objectives.

2. Resource Implications

Financial

- 2.1 There are no direct financial implications arising from this report other than those reported within the body of the main report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

Internal

- 4.1 The Depute Chief Executive/Chief Operating Officer has been consulted in the preparation of this report.

2. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix 1 – Perth Common Good Fund - Proposed Budget for 2018/19 and draft budgets for 2019/20 and 2020/21

Appendix 2 – Perth Common Good Fund – Proposed allocation of annual income for the 2018/19 Budget and draft budgets for 2019/20 to 2021/22

Appendix 3 – Perth Common Good Fund Financial Statement for period to 31 January 2018 for Financial Year 2017/18