

PERTH COMMON GOOD FUND COMMITTEE**22 February 2017****2017/18 BUDGET &
2016/17 FINANCIAL STATEMENT****Joint Report by Head of Finance & Director (Environment)****PURPOSE OF REPORT**

This report seeks approval of the budget for Financial Year 2017/18 and the proposals for managing and earmarking the Revenue Account Balance of the Fund, and details the Income and Expenditure to 31 January 2017 and the projected outturn for Financial Year 2016/17.

1. BACKGROUND / MAIN ISSUES

- 1.1 The Perth Common Good Fund has come under increasing financial pressure in recent years due to the approval of Financial Assistance applications for a number of high value property improvement projects and the funding of unforeseen expenditure on the improvement of specific Common Good properties.
- 1.2 In order to alleviate further pressure on the Fund, the Committee agreed on 5 October 2016 to establish a short life Working Group to review the financial assistance criteria.
- 1.3 The proposals arising from the working group recommendations are contained within the Review of Financial Assistance Criteria report to be considered by the Committee at this meeting. In addition a review of the Perth Common Good Fund balances has been completed. Proposals for maintaining a minimum Revenue Account balance over the medium term and for the earmarking of Revenue Reserves to fund specific activities are provided in Section 2.7 of this report.
- 1.4 The proposed budget for 2017/18 has been prepared based on activity undertaken in previous financial years, adjusted for anticipated changes in 2017/18, and incorporates the recommendations proposed by the Working Group. Appendix 1 provides the proposed 2017/18 Budget for the Perth Common Good Fund and the draft budgets for 2018/19 and 2019/20; Appendix 2 provides an estimate of income and expenditure and indicative results over the medium term.
- 1.5 This report also provides the monitoring position and projected outturn for the Financial Year 2016/17.

2. PROPOSALS

2.1 Budget 2017/18

The proposed budget for 2017/18 and draft budgets for 2018/19 and 2019/20 ignore inflation and have been prepared in line with activity for prior years, and the anticipated costs which are likely to be incurred in future years.

- 2.1.1 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 2014/15 and 2015/16, together with projected expenditure for 2016/17, the proposed budget for 2017/18, and draft budgets for 2018/19 and 2019/20. The projected surplus for the current financial year is mainly due to lower than expected repair and maintenance costs (Section 2.2.1(I) below refers).
- 2.1.2 Known property improvement projects scheduled for the next two financial years include the replacement of the Tay Railway Viaduct Steps. The Perth Common Good Fund is therefore likely to continue to bear substantial costs, particularly during 2018/19. The proposed 2017/18 budget and draft budgets for 2018/19 and 2019/20 include the anticipated costs for property commitments together with proposed adjustments to other budget lines.
- 2.1.3 The Working Group proposals include enhancing the transparency of the annual income available for the funding of discretionary Financial Assistance awards. Appendix 2 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.
- 2.1.4 Also included within Appendix 2 are percentages detailing the proposed surplus as a percentage of the annual income of the Perth Common Good Fund. It is anticipated that from 2019/20 the approved budget will be set to generate a surplus equivalent to 5% of the annual income in order to provide a small contingency for any in-year movement in the actual income and/or expenditure of the Fund.
- 2.1.5 Appendices 1 and 2 demonstrate that it is anticipated that the Perth Common Good Fund will return to a surplus in 2017/18. The deficit for 2018/19 is due to repair and maintenance commitments and it is proposed that these are partly funded from the earmarked Repair & Renewal Reserve described in Section 2.7.2 of this report. It is expected that the Fund will return to surplus again in 2019/20 and future years and will therefore remain sustainable in the longer term provided that all assumptions remain unchanged.
- 2.1.6 Proposed adjustments to the budget between 2016/17 and 2017/18 are summarised below and are detailed within Appendix 1.
- 2.1.7 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 plans to issue draft guidance for consultation later in 2017 and it is anticipated that these 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; 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 experience unpredictable expenditure.
- (IV) The 2017/18 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. Proposals for maintaining the Revenue Account balance are included in Section 2.7, however 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.

2.2 Repairs and Maintenance

It is proposed to reduce the budget from £87,500 to £35,000 in 2017/18. The expenditure incurred in 2016/17 on the upkeep of property has been used as basis for the setting a proposed £15,000 core budget for the Repairs and Maintenance of property.

2.2.1 In addition it is proposed that the following adjustments are also included:-

- (I) The proposals for the replacement of Tay Railway Viaduct Steps were considered by Committee on 22 June 2016 (Report P1 16/289 refers) and Option A was approved as the preferred option to progress the project. It had been anticipated that the replacement of the steps would

be scheduled for financial years 2016/17 and 2017/18. However, the tendering process is ongoing and the project has been rephased accordingly to 2017/18 and 2018/19. Pre-construction works originally anticipated to commence in 2016/17 will be rephased to 2017/18 and it is proposed that the £20,000 budget is included within the Repairs and Maintenance budget to facilitate payment of the early works.

- (II) It is anticipated that 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 approximately £2,000 for each property; it is proposed that these costs are contained within the £15,000 core budget for the Repairs and Maintenance of property.
- (III) Draft budgets for future years are provided in Appendix 1 and these include a £145,000 budget for Repairs and Maintenance in 2018/19, which is mainly due to the anticipated expenditure for the replacement of the Tay Railway Viaduct Steps which is estimated at £130,000. The costs for this project will be refined as the tendering process progresses and a future report will be submitted to Committee providing an update on costs and project phasing. Assuming there is no further unforeseen property related expenditure, it is anticipated that the Repairs & Maintenance budget will reduce to the £15,000 core budget in 2019/20.

2.3 Depreciation

It is proposed to maintain the budget for depreciation of £7,240 which is in line with the charge for 2015/16; the related properties do not require revaluation in 2016/17 and the depreciation charge will therefore remain unchanged.

2.4 Financial Assistance

The following table provides a summary of the total value of funding awarded each financial year, and the total average value over the five years 2012/13 to 2016/17. It also assumes approval of the Financial Assistance applications to be considered at this meeting:-

Funding Awarded:	Number of Applicants:	2012/13 Total Value £	2013/14 Total Value £	2014/15 Total Value £	2015/16 Total Value £	2016/17 Total Value £	Total Average £
every year	12 (Note 1)	19,444	26,411	27,708	34,585	33,272	28,284
4 from 5 years	8	36,985	19,159	14,453	12,984	7,160	18,148
3 from 5 years	14 (Note 2)	6,580	9,573	9,822	28,595	5,995	12,113
2 from 5 years	23 (Note 3)	11,289	7,255	62,558	86,285	24,606	38,599
1 from 5 years	83	31,059	33,587	30,983	13,208	22,839	26,335
	Total	105,357	95,985	145,524	175,657	93,872	123,652

Note 1: the Number of Applicants and Total Value figures include financial assistance towards the Perth bonfire night firework display totalling £70,750 over 5 years. Excluding this would result in a Total Average for the five years of £14,134.

Note 2: the Number of Applicants and Total Value figures include a one off application for a sculpture display to mark the 100th anniversary of World War I (£21,375). Excluding this would result in a Total Average for the five years of £7,838.

Note 3: the Number of Applicants and Total Value figures include 3 applications which relate to property projects (£100,000) and 2 anniversary events (£30,191). Excluding these would result in a Total Average for the five years of £12,561.

2.4.1 The Working Group recommendations include creating a recurring Financial Assistance budget for the Perth Common Good Fund contribution towards the annual fireworks display. It is proposed that the Financial Assistance budget is therefore increased to £115,000 which will create a core budget of £15,000 for the annual fireworks display and accommodate payment of the regular Financial Assistance applications noted above. In line with the recommendations of the Working Group it is proposed for the purpose of preparing draft budgets that the remaining £100,000 Financial Assistance budget is further divided and allocated to separate budgets for the funding of Financial Assistance awards for Small Grant and Capital Grant schemes.

2.4.2 The draft budgets for future years assume that the Financial Assistance budget will remain at £115,000 in 2018/19. It is anticipated that expenditure pressures will reduce in 2019/20 and it is proposed to increase the allocation towards the funding of Capital Grant expenditure by £10,000, however this is subject to all other assumptions remaining unchanged.

2.5 Christmas Events

The review of prior and current year expenditure for the installation, removal and maintenance of Christmas lights indicates that the costs can be contained within an annual budget of £23,000 and it is therefore proposed that the budget for these activities is maintained at this level.

2.5.1 Additional funding towards the costs of extending the 2014, 2015 and 2016 Winter Festival programme was approved by Committee in 2014/15, 2015/16 and 2016/17 (Reports 14/418, 15/430 and 16/432 refer). The proposals arising from the Working Group review include maintaining the budget for the Switch on Ceremony event at £40,000 per annum and this has been incorporated in the 2017/18 budget and draft budgets for 2018/19 and 2019/20. It is anticipated that any application for Financial Assistance seeking additional funding to assist with the costs of delivering the Switch on Ceremony or to extend the event will be submitted to this Committee for consideration prior to the advertising of the Winter Festival or related event.

2.6 Income

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 2017/18. In addition the proposed budget for Fishing Permits has been maintained at £1,400 in line with income received during 2015/16. The Fishing Permit income received at this point in financial year 2016/17 is comparable to the income received in 2015/16.

2.7 Revenue Account Balance

Following the completion of the review of the Perth Common Good Fund balances an additional £346,363 will now be included within the Revenue Account balance of the Fund. The additional funds have become available from the release of dormant balances previously allocated to fund capital expenditure which are now deemed to be useable. The total useable Revenue Account balance is projected to be £1,627,023 at 31 March 2017.

- 2.7.1 A number of risks are outlined in Section 2.1.7 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 is maintained at a minimum of £1,000,000 to protect the longer term sustainability of the Fund.
- 2.7.2 It is proposed that £300,000 of the remaining £627,023 balance is earmarked as a Repair & Renewal Reserve for the funding of major property and infrastructure upgrade schemes such as the replacement of the Tay Railway Viaduct Steps. The remaining £327,023 balance will remain uncommitted and available for the funding of any unforeseen obligations arising for the Perth Common Good Fund.
- 2.7.3 In addition it is proposed that the Repair & Renewal Reserve is maintained at £200,000 for the medium term pending the completion of the asset management plan referred to in Section 2.1.7(III) which will include indicative costs and phasings for the maintenance and upgrade of the remaining Perth Common Good Fund property portfolio.

2.8 Financial Statement 2016/17

On the basis of Appendix 3, it is anticipated that there will be a surplus of £7,363 in 2016/17 and that the Fund's estimated Revenue Account Balance will be £1,280,660 at 31 March 2017; the projections assume approval of the funding requests included within the Applications for Financial Assistance report to be considered at this meeting.

- 2.8.1 The movement from the deficit of £18,400 reported to Committee on 14 December 2016 (Report 16/552 refers) mainly relates to the rephasing of the expenditure for the replacement of the Tay Railway Viaduct Steps (Section 2.2.1(I) refers) and a projected saving on Financial Assistance expenditure.
- 2.8.2 A summary of the Financial Assistance budget, including the funding approved to date, the value of funding to be considered at this meeting, and the remaining budget is provided below:-

2016/17 Approved Financial Assistance Budget	£100,000
Value of funding approved to date	£89,117
Value of applications to be considered at Committee meeting on 22 February 2017	£4,880
Remaining Budget	£6,003

3. CONCLUSION AND RECOMMENDATIONS

- 3.1 The proposed 2017/18 budget and draft budgets for 2018/19 and 2019/20 incorporate the Working Group recommendations following the review of the Financial Assistance criteria, and have been prepared using expenditure and income trends and the anticipated future expenditure pressures arising from maintaining the Common Good property portfolio.
- 3.2 Appendix 1 provides the budget detail for the proposed 2016/17 Budget and draft budgets for 2018/19 and 2019/20. Appendix 2 provides the proposed allocation of the annual income of the Perth Common Good Fund and contains indicative results for the Fund over the medium term; both appendices demonstrate that the sustainability of the Perth Common Good Fund will be maintained over the longer term.
- 3.3 The Committee is requested to:
- (i) Approve the Perth Common Good Fund budget for financial year 2017/18, as set out in Appendix 1;
 - (ii) Note the Perth Common Good Fund draft budget for financial years 2018/19 and 2019/20, as set out in Appendix 1;
 - (iii) Approve the proposals for maintaining and earmarking the Revenue Account balance noted in Sections 2.7.1 to 2.7.3;
 - (iv) Note the Perth Common Good Fund Income and Expenditure to 31 January 2017 and the projected outturn to 31 March 2017, as set out in Appendix 3;
 - (v) Instruct the Director (Environment) to complete the asset management plan for the property portfolio of the Perth Common Good Fund and provide an update to Committee on the works required and the indicative costs and phasings prior to 31 March 2018.

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Approved

Name	Designation	Date
John Symon	Head of Finance	3 February 2017

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ANNEX

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

1.1 Corporate Plan

- 1.1.1 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.

- 1.1.2 This report relates to all objectives.

2. Resource Implications

2.1 Financial

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

3. Assessments

3.1 Equality Impact Assessment

3.1.1 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.

3.1.2 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.

3.2 Strategic Environmental Assessment

3.2.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.2.2 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.

3.3 Sustainability

3.3.1 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.

3.3.2 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

4.1 Internal

4.1.1 The Chief Executive and Head of Legal have been consulted in the preparation of this report.

5. BACKGROUND PAPERS

5.1 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.

6. APPENDICES

Appendix 1 – Perth Common Good Fund - Proposed Budget for 2017/18 and draft budgets for 2018/19 and 2019/20

Appendix 2 – Perth Common Good Fund – Proposed allocation of annual income for 2017/18 Budget and draft budgets for 2018/19 to 2021/22

Appendix 3 – Perth Common Good Fund Financial Statement for period to 31 January 2017 for Financial Year 2016/17