
Report To:	Policy & Resources Committee	Date:	2nd February 2016
Report By:	Chief Financial Officer	Report No:	FIN/09/16/AP/MT
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	Common Good Budget 2016/18		

1.0 PURPOSE

- 1.1 The purpose of the report is to provide information to Committee to enable it to recommend action to allow the Council to set a 2016/18 Common Good Budget.

2.0 SUMMARY

- 2.1 The Common Good Budget was set in February 2015. The approved budget was a surplus in 2015/16 returning to break even in 2016/17 in order to address a shortfall in reserves below the recommended minimum of £100,000.
- 2.2 Ongoing issues with vacant properties resulting in both loss of income as well as increased rates costs and increased repairs costs however have resulted in the Common Good continuing to run at a deficit. As a result the Reserves Balance is projected to fall to £43,000 by 31st March 2016.
- 2.3 Should the ongoing deficit not be addressed the Reserves Balance is projected to fall to £12,000 by 31st March 2018. In order to address this, action must be taken to bring the Reserves position to the recommended minimum level of £100,000.
- 2.4 It is proposed therefore to “mainline” the Christmas Decorations spend of £35,400 from 2016/17 and thus allow the balance to return to its minimum recommended level by 2018/19. This will require to be approved as part of the imminent Budget.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the position of the Common Good budget and agree to the proposals to mainline £35,400 expenditure from 2016/17.
- 3.2 It is recommended that the Committee remit this matter to the 2016/18 Budget process.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 In February 2015, the Council approved a 2 year Common Good budget covering the period 2015/16 to 2016/17.
- 4.2 As the Reserves position had been projected to fall below the recommended minimum level of £100,000, the 2015/16 budget was set at a surplus position for that year only with the budget returning to a break even position in 2016/17.
- 4.3 A number of properties have not been lettable due to various property condition issues and whilst steps have been taken to address these issues within the limited available funding, the high level of empty properties has contributed to the reduction in the Reserves position. As well as the resulting decreased income levels, the Common Good also incurs Non Domestic Rates charges on the empty property.
- 4.4 During 2014/15, action was taken to remove a tenant who had not been paying rent, a provision for unpaid rent was made and this, along with Legal Expenses incurred as a result of the dispute, has further impacted on the Reserves balance. Further expense is being incurred in bringing the affected high profile premises into a marketable condition.
- 4.5 As a result, action will require to be taken in order to bring the Common Good Reserves position back to the recommended level.

5.0 BUDGET POSITION

- 5.1 The main funding source for the Common Good remains the commercial property units in Bay Street and John Wood Street, Port Glasgow. Several of these properties remain vacant at present and as a result, the projected rental income for 2015/16 is approximately £128,500, significantly below the budgeted rental income of £147,000. Officers predict that this situation should improve during 2016/17 as properties are returned to an adequate standard and subsequently let. One property remains in an unlettable condition however.
- 5.2 In addition to the shop units, the former filling station site at 74 Port Glasgow Road remains vacant. This has been marketed on several occasions however a suitable tenant has not been identified to date. The proposed Common Good budget assumes no income from this site.
- 5.3 In addition to the reduced income levels the Common Good also incurs Non Domestic Rates charges for vacant properties. At present no budget has been allocated to Rates however over the past several years Rates costs have varied from approximately £6,000 to £12,000. Due to the current levels of vacant properties the costs for 2015/16 are projected to be £18,000.
- 5.4 As a result it would be prudent to introduce a recurring Rates budget. Based on current projections of when vacant properties are likely to be let Officers anticipate a budget of £11,000 will be required in 2016/17. The majority of properties will be let by the end of 2016/17 and the Rates liability will then decrease, in order to allow for ongoing turnover/vacancies a budget of £6,000 will be retained.
- 5.5 The letting of the vacant properties should see income levels increasing to £137,000 in 2016/17 and then to £155,000 in 2017/18. On introduction of the Rates budget the Income required for the Common Good to break even is £159,000 and a £4,000 ongoing deficit is therefore being projected. In the longer term, inflation/rent reviews should gradually increase income levels. Officers will continue to monitor the situation though and the Common Good budget will continue to be reviewed as part of the annual budget process.
- 5.6 There is also a need to restore the Common Good balance to at least £100,000 on the assumption that in the medium term the recurring budget will be in balance as a minimum.
- 5.7 It is proposed therefore to "mainline" the Christmas Decorations spend of £35,400 from 2016/17 and this will allow the balance to return to the minimum recommended level with a 3 year period.

5.8 The current Common Good budget position is included in Appendix 1.

6.0 FINANCIAL IMPLICATIONS

Finance

6.1 Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Common Good	Events	From 2016/17	(35)		
Grounds Services	Income	From 2016/17	35		

One off Costs

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

7.0 CONSULTATION

7.1 Legal

The Head of Legal and Property Services has been consulted on the preparation of this report.

7.2 Human Resources

There are no direct staffing implications in respect of the report and as such the Head of Organisational Development, HR and Communications has not been consulted.

7.3 Equalities

There are no equalities implications in this report.

7.4 Repopulation

There are no repopulation implications in this report.

8.0 LIST OF BACKGROUND PAPERS

8.1 None

**COMMON GOOD FUND
REVENUE BUDGET 2016/18**

	Projected 2015/16	Budget 2016/17	Adjustment 2016/17	Budget 2016/17	Adjustment 2017/18	Budget 2017/18
PROPERTY COSTS	28,040	10,000	A 11,000	21,000	A (5,000)	16,000
Repairs & Maintenance	9,000	9,000		9,000		9,000
Rates	18,040	0	11,000	11,000	(5,000)	6,000
Property Insurance	1,000	1,000		1,000		1,000
ADMINISTRATION COSTS	8,700	8,700	0	8,700	0	8,700
Sundries	1,500	1,500		1,500		1,500
Commercial Rent Management Charge	2,200	2,200		2,200		2,200
Recharge for Accountancy	5,000	5,000		5,000		5,000
OTHER EXPENDITURE	100,700	134,200	B (33,500)	100,700	0	100,700
Christmas Lights Switch On	10,500	10,500		10,500		10,500
Christmas Dinners/Vouchers	21,600	21,600		21,600		21,600
Christmas Decorations	0	35,400	(35,400)	0		0
Gourock Highland Games	29,400	29,400		29,400		29,400
Armistice Service	8,300	8,300		8,300		8,300
Comet Festival	13,300	13,300		13,300		13,300
Fireworks	12,600	12,600		12,600		12,600
Rent Relief (Society of the Innocents)	5,000	3,100	1,900	5,000		5,000
INCOME	(130,440)	(153,000)	C 13,990	(139,010)	C (17,700)	(156,710)
Gross Rent	(183,000)	(185,600)	(1,870)	(187,470)	(4,700)	(192,170)
Void Rents	54,560	34,600	15,860	50,460	(13,000)	37,460
Internal Resources Interest	(2,000)	(2,000)		(2,000)		(2,000)
NET EXPENDITURE	7,000	(100)	(8,510)	(8,610)	(22,700)	(31,310)
EARMARKED FUNDS	49,170	0	0	0	0	0
John Wood St/Bay St Shop Improvements	18,420			0		0
World War 1 Centenary	3,750			0		0
Port Glasgow Road - Demolition	15,000			0		0
Repairs & Renewals Fund	12,000			0		0
TOTAL NET EXPENDITURE	56,170	(100)	(8,510)	(8,610)	(22,700)	(31,310)

Projected Fund Balance as at 31st March 2016 **£43,010**

Projected Fund Balance as at 31st March 2017 **£51,620**

Projected Fund Balance as at 31st March 2018 **£82,930**

Notes:

A Property Costs

Creation of Rates budget based on current level of voids	11,000	(5,000)
	11,000	(5,000)

It is proposed any underspends in the annual Repairs & Maintenance budget would be added to the Repairs & Renewals fund.

B Other Expenditure

Increase to Society of the Innocents rent relief in line with current rent levels.	1,900	
Transfer Christmas Decoration spend.	(35,400)	
	(33,500)	0

C Income

Adjust Income to bring in line with latest projections	13,990	(14,300)
Inflation		(3,400)
	13,990	(17,700)

Total Adjustments

	(8,510)	(22,700)
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D Occupancy assumptions:

Projected Income (& Rates) assumes full occupancy with the exception of:

- 10 Bay St (assumed 50% occupancy on short term charity leases)
- 4 John Wood St (vacant, no interest)
- 17 John Wood St (vacant & unfit for occupation)
- 74 Port Glasgow Road (vacant, marketing unsuccessful to date)

2 other properties (12 Bay St & 15 John Wood Street) currently vacant but anticipated these will be occupied sometime during 2015/16.

E Recommended Fund Level

The recommended minimum overall fund level is £100,000.