

Finance and Resources Committee

10.00a.m., Thursday, 24 September 2015

Common Good Annual Performance 2014-15

Item number	7.8
Report number	
Executive/routine	
Wards	

Executive summary

The report presents the outturn position for the Common Good Fund and the performance of its cash investments for 2014/2015.

Links

Coalition pledges	P30, P31
Council outcomes	C19
Single Outcome Agreement	SO2

Common Good Annual Performance 2014-15

Recommendations

- 1.1 Members are asked to note the contents of this report.

Background

- 2.1 The City of Edinburgh Council has a statutory obligation under the Local Government etc. (Scotland) Act 1994, Section 15(4)(b) in administering property held as part of the common good to have regard to the interests of all of the inhabitants of the City. In effect the Council holds the Common Good Fund for the benefit of the City as a whole.

Main report

Financial Outturn

- 3.1 All expenditure and income relating to Common Good property, including that which is incurred from within main Council budgets, will be included in the Revenue Account for the Common Good Fund. A recharge equal to the net cost funded from Council budgets is shown as being made against the Council for the use of the assets.
- 3.2 The audited accounts for the Common Good Fund for 2014-15 show a surplus in year of £1,185,463.
- 3.3 The sale of East Market Street garage as part of a package of properties was completed in 2014/15. The Common Good account was credited with a receipt of £1,182,950. The receipt, net of costs associated with the disposal, was transferred to an earmarked reserve pending consideration by the Council of its previous decision on 14 November 2002 to transfer the receipt from the sale of the site to the Council to assist with the funding of office rationalisation. This reserve remains part of the funds available for investment by the Common Good through the Council's Cash Fund.
- 3.4 The report by the Chief Operating Officer to Finance and Resources Committee on 27 August 2015 recommends that the receipt be retained within the Common Good Fund.
- 3.5 The balance of the surplus of £3,880 was credited to the Common Good Fund at 31 March 2015. The balance of the Fund is £1.654m (£1.650m 2014).

3.6 The following table summarises the expenditure and income for the Common Good Fund for the year.

2013-14		2014-15		
		Direct	From Council	Total
		Budgets		
(£000)		(£000)	(£000)	(£000)
3,486	Property Costs	2	3,996	3,998
20	Other Expenditure	42	0	42
3,506		44	3,996	4,040
(941)	Rents, Fees and Charges	0	(1,273)	(1,273)
(38)	Sale of Fixed Assets	(1,218)	0	(1,218)
(2,554)	Recharges	0	(2,723)	(2,723)
(8)	Investment Income	(11)	0	(11)
(35)	Surplus	(1,185)	0	(1,185)

The detailed statement of accounts is shown in Appendix 1 attached.

- 3.7 In addition to the sale of East Market Street garage, the Common Good received a receipt of for the sale of airspace above property in the Grassmarket. The £35,000 proceeds from the sale were credited to the Common Good Revenue Account.
- 3.8 HM Treasury announced in December 2014 its intention to redeem at face value its pre war stock bonds. The Common Good Fund held £1,400 in 3 ½% war stock bonds and £340 in 3 ½% conversion stock bonds. The war stock bonds were redeemed in March 2015 and the receipt was credited to the Common Good Revenue Account.
- 3.9 The Council funded net expenditure of £2.723m (£2.554m 2014) on Common Good properties of which £1.060m (£1.490m 2014) was funded from revenue and £1.663m (£1.063m 2014) from capital budgets.
- 3.10 The majority of the cash resources of the Common Good are invested with the Council's cash fund with a small balance held within the Council's loans fund to manage day to day cash flow. The interest earned on the investment amounted to £9,701 (£8,359 in 2014). The interest was re-invested with the cash fund throughout the year. A balance of £2.756m was held within the Council's cash fund at 31 March 2015.

- 3.11 The Council's cash fund investments annual rate of return to March 2015 was 0.47% (0.52% 2014). This performance has been benchmarked against the 7 day London Inter Bank rate. The Council's cash fund out performed the benchmark rate of 0.35% by 0.12% (0.17% in 2014) during the year.

Common Good Properties

- 3.12 The list of properties included in the financial accounts as assets of the Common Good is listed in Appendix 2.
- 3.13 No further properties were been conclusively identified as Common Good during the year.
- 3.14 The report by the Acting Director of Service for Communities to Corporate Policy and Strategy Committee on 4 August 2015 advised that there is a risk that some properties are not identified as common good and are not included on the Council's asset register for the Common Good.
- 3.15 The value of Common Good assets is determined in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. The property holdings of the Common Good are mainly held at historic cost as Community or Heritage Assets and are not subject to revaluation. Only those parts which may have the capacity to be used to generate income are subject to revaluation.
- 3.16 As noted above, East Market Street garage was sold during 2014-15. Prior to its sale the site was revalued to the level of the capital receipt and then written out of the fixed assets.
- 3.17 The net value of the remaining Common Good property holdings was increased by £132,174 due to net upward revaluations.
- 3.18 The properties held by the Council on behalf of the Common Good are managed as part of the overall Council estate. The report on the Corporate Asset Strategy 2015-19 to Corporate Policy and Strategy Committee on 12 May 2015 advised that performance indicators are to be established to measure improvement on the condition of the property portfolio. Properties will be surveyed at least every 5 years and the indicators updated.
- 3.19 As Common Good properties are used operationally by Council services, any development of and capital investment in Common Good properties forms part of the Council's capital investment programme. During 2014-15 the following capital investment was undertaken on Common Good assets:
- City Chambers (£1.334m) A number of improvements were undertaken at the City Chambers complex during 2014-15 including replacements and upgrades to boilers, lighting and other mechanical and engineering systems, repairs to the roof, stonemasonry and windows, and major refurbishments to the business centre and 249 High Street.

Parks Drainage Works (£0.130m) – Drainage improvement works were undertaken on the Meadows and Roseburn Park as part of a package of general drainage improvements in the City's parks.

Current Issues Affecting the Common Good in Edinburgh

Community Empowerment (Scotland) Bill

- 3.20 The report to Corporate Policy and Strategy Committee on 4 August 2015 by the Acting Director of Services for Communities advised members of the obligations which will be placed on the local authorities by the Bill, which was passed by the Scottish Parliament on 19 June 2015, subject to Royal Assent. It places a statutory duty on local authorities to establish and maintain a register of properties held by them for the common good.
- 3.21 The report proposed a benchmark against which to test assets to determine whether they should appear on the Common Good register and the Committee sought further clarification to be reported back to a future meeting.
- 3.22 It was noted that there will be an additional staffing requirement and significant cost to the Council in reviewing the full Council asset register against the benchmarks and requested that an annual budget for this of £250,000 be considered as part of the 2016/17 budget process.

Parliament Hall

- 3.23 The Corporate Policy and Strategy Committee on 24 February 2015 considered an urgent motion by Councillor Burns on the registration of the title to the court complex between Parliament Square and the Cowgate.
- 3.24 The Chief Internal Audit and Risk officer reported to Governance, Risk and Best Value committee on 18 June 2015 on the circumstances of surrounding the acquisition of legal title to the property by the Scottish Government. The report was considered in private, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973. This report was referred to Finance and Resources Committee on 27 August 2015 to consider any further legal action by the Council.
- 3.25 A further report on the proposed action to secure the return of Parliament Hall to Common Good ownership is being considered elsewhere on this agenda.

Custom House

- 3.26 The acquisition of Custom House was completed in April 2015.
- 3.27 Legal and survey costs totalling £29,314 were incurred during 2014/15. A further £22,081 in professional fees, registration dues and Land and Buildings Transaction Tax (LBTT) have been incurred to date in the current financial year, in addition to the purchase price of £650,000.
- 3.28 Following its acquisition, the Finance and Resources Committee on 13 May 2015 approved the lease of Custom House to the Scottish Historic Building Trust (SHBT) on a five year lease at £1 per annum, if asked. The SHBT assumes

responsibility for internal repairs with the Council retaining responsibility for external repairs.

- 3.29 SHBT are sourcing an estimated £10m external funding which is expected to be required to fully restore the building. On the basis that SHBT is successful in raising the capital required, at the end of the five year lease, or earlier if funding is secured, SHBT will be granted a 99 year lease.

Princes Street Gardens – National Galleries of Scotland Proposed Extension

- 3.30 The Acting Director of Services for Communities' report to Finance and Resources Committee on 3 February 2015 advised Members of a request by the National Galleries of Scotland (NGS) to purchase a strip of land which forms part of Princes Street Gardens.
- 3.31 The report advised that since the land is inalienable Common Good and also protected by the City of Edinburgh District Council Order Confirmation Act 1991, that a disposal would require a variation to the Act and may also require a separate application to the Court of Session.
- 3.32 The NGS has agreed to pay all costs associated with obtaining the necessary consents.

Measures of success

- 4.1 Through the Council's Financial Statements, the Common Good account receives an unqualified audit certificate from the External Auditor by 30 September 2015.

Financial impact

- 5.1 The surplus generated in the Common Good Revenue Account resulted from the proceeds of the sale of land at Bishop's Close. The underlying outturn was a deficit of £2,365 as the cost of managing the fund exceeds the interest earned on its investments.

Risk, policy, compliance and governance impact

- 6.1 A review to determine whether a property should be considered Common Good is undertaken if it is identified for disposal or if a significant change of use is proposed.
- 6.2 This recommended approach was accepted by the Council's Finance and Resources Committee on 17 June 2008.
- 6.3 There is a risk that some properties are not identified as Common Good and are incorrectly included on the Council's asset register. The Common Good asset

register could therefore be incomplete and that the balance sheet value of fixed assets understated. This would not comply with accounting standards. Audit Scotland is aware of the Council's approach.

- 6.4 The risk that Common Good property could be unlawfully disposed of or appropriated is managed within the review processes currently in place.

Equalities impact

- 7.1 There is no direct relevance of the report's contents to equalities related issues. However, the statutory obligation placed on the Council for the management of Common Good property is for the benefit of all of the City's inhabitants.

Sustainability impact

- 8.1 There is no direct relevance of the report's contents to sustainability related issues.

Consultation and engagement

- 9.1 The Council's financial statements, including the Common Good, will be made available for public inspection in July / August in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 1985.

Background reading/external references

["Revenue monitoring 2014-15 - Outturn report" - report to the Finance and Resources Committee 27 August 2015.](#)

["Common Good Assets Register" - report to Corporate Policy and Strategy Committee 4 August 2015](#)

["Proposed Lease of Custom House Commercial Street Leith" - report to Finance and Resources Committee 13 May 2015](#)

["Corporate Asset Strategy 2015-19" - report to Corporate Policy and Strategy Committee 12 May 2015](#)

["Princes Street Gardens - National Galleries of Scotland Proposed Extension" - report to Finance and Resources Committee 3 February 2015](#)

Alastair D Maclean

Chief Operating Officer

Depute Chief Executive

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning P31 – Maintain our City’s reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm
Single Outcome Agreement	S02 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health
Appendices	<ol style="list-style-type: none">1. Unaudited Common Good Fund financial statements 2014/152. List of Common Good assets as at 31 March 2015

COMMON GOOD FUND

2013/14 £	REVENUE ACCOUNT	2014/15 £
	Expenditure	
	<i>Property Costs</i>	
75,528	Bruntsfield Links	80,471
0	Burns Monument	0
39,060	Calton Hill / Calton Road	45,477
33,036	Canongate Tolbooth	38,063
1,703,823	City Chambers	2,725,893
490,372	City Observatory	203,901
4,924	East Market Street Garage	54
50,939	Inch Park	52,630
48,274	Lady Stairs House	30,269
99,663	Meadows	251,154
8,655	Nelsons Monument	11,892
30,176	Portobello Park	12,946
25,782	Roseburn Park	30,695
875,572	Princes Street Gardens (including Ross Theatre and Scott Monument)	514,164
0	South Queensferry Harbour	0
14	Other Incidentals	14
<u>3,485,818</u>		<u>3,997,623</u>
	<i>Other</i>	
	Custom House Acquisition costs	29,315
19,711	Central Support Costs	12,773
<u>3,505,528</u>		<u>4,039,711</u>
	Income	
	931,659 Rents	1,273,060
	9,500 Other Fees & Charges	0
	38,000 Proceeds from sale of Fixed Assets	1,217,951
	0 Proceeds from redemption of Investment Bonds	1,400
	<u>8,424 Investment Income</u>	<u>9,701</u>
	987,583	2,502,112
	2,553,238 Recharge to City of Edinburgh Council for Use of Assets	2,723,062
	0 Transferred from Fit for Future Earmarked Reserve	0
	<u>0 Transfer from Disabled Access Grants Reserve</u>	<u>0</u>
<u>3,540,821</u>	(Surplus) / Deficit for Year	<u>5,225,174</u>
<u>-35,293</u>		<u>-1,185,463</u>

£	STATEMENT OF MOVEMENT ON THE COMMON GOOD FUND	£
-35,293	Deficit / (Surplus) for the Year on the Common Good Income and Expenditure Account	-1,185,463
0	Net Additional Amount required by Statute on Non-Statutory Proper Practices to be credited to the Common Good Balance for the Year	0
<u>-35,293</u>		<u>-1,185,463</u>
	Whereof:	
35,293	Added to (Transferred from) Common Good Fund	3,880
0	Transferred to Fit for Future Earmarked Reserve	1,181,583
<u>35,293</u>		<u>1,185,463</u>

COMMON GOOD FUND

31st March 2013

BALANCE SHEET

31st March 2014

		Operational Assets		
	0	Other Land and Buildings	0	
23,823,741	<u>23,823,741</u>	Community Assets	<u>21,757,296</u>	21,757,296
		Non-Operational Assets		
0		Surplus Assets Held for Disposal		0
<u>0</u>		Deferred Charges		<u>0</u>
23,823,741				21,757,296
104,340		Heritage Assets		102,960
1,740		Investments (at cost)		340
		Current Assets		
	708	Debtors	1,993	
	182,741	Short Term Investments	2,756,061	
	0	Provision for Bad Debts	0	
	31,525	Balance with Loans Fund	57,829	
	<u>1,414,161</u>	Cash and Cash Equivalents	<u>0</u>	
	1,629,135		2,815,883	
		Less: Current Liabilities		
		Creditors	<u>-1,993</u>	2,813,890
<u>1,628,427</u>	<u>-708</u>	NET ASSETS		<u>24,674,486</u>
<u>25,558,248</u>				
		Represented by :		
		Revaluation Reserve		21,860,256
23,928,080		Capital Adjustment Account		<u>-21,710</u>
<u>-20,678</u>		Disposals/Revaluations		0
0				21,838,546
<u>23,907,402</u>		Common Good Fund		
	1,615,184	Fund at start of year	1,650,477	
1,650,477	<u>35,293</u>	Surplus for year /Deficit	<u>3,880</u>	1,654,357
369		Unrealised Gains on Investments		0
		Fit for Future Earmarked Fund		
	0	Balance at start of year	0	
	0	Surplus for year /Deficit	1,181,583	
	<u>0</u>	Transferred to Revenue Account	<u>0</u>	
0				1,181,583
<u>25,558,248</u>				<u>24,674,486</u>

COMMON GOOD FUND

	Community Assets £	Land and Buildings £	Surplus Assets Held for Disposal £	Total £	Heritage Assets £
Balance as at 1 April 2014	23,823,741	0	0	23,823,741	104,340
Restated				0	0
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	-883,494			-883,494	-1,380
Revaluation decreases recognised in the deficit on the Provision of Services	0	0	0	0	0
Depreciation in Year	0	0	0	0	0
Depreciation w/o to the deficit on the Provision of Services	0	0	0	0	0
Derecognition - disposals	-1,182,951			-1,182,951	0
Balance as at 31 March 2015	<u>21,757,296</u>	<u>0</u>	<u>0</u>	<u>21,757,296</u>	<u>102,960</u>

(B) Information on Assets Held:-

The Fixed Assets owned by the Common Good Fund include the following approximate numbers as at 31st March 2015

Community Assets - Monuments and Other Activities	20
Parks and Open Spaces	31
Non Operational Assets Shops, Industrial Units and other commercial lettings	17

(Note - the assets list at Appendix 2 may group the above)

(C) Revaluation Reserve

	£
Balance brought forward as at 1 April 2014	-23,928,080
Restated - Capital Adjustment Account to Revaluation Reser	0
Revaluation of Assets	
Upward revaluation of assets	-411,724
Downward revaluation of assets	<u>1,296,597</u>
	884,873
Derecognition - disposals	1,182,951
Balance as at 31 March 2015	<u>-21,860,256</u>

(D) Capital Adjustment Account

	£
Balance brought forward as at 1 April 2014	20,678
Restated - Accumulated Depreciation	
Restated - Capital Adjustment Account to Revaluation Reserve	
Net written out of cost non-current assets consumed in year	<u>20,678</u>
Revaluation Losses on Property, Plant and Equipment	0
Adjusting Amounts w/o of Revaluation Reserve	0
Other Movements	1,032
Balance as at 31 March 2015	<u><u>21,710</u></u>

COMMON GOOD**REGISTER OF ASSETS (for Accounting Purposes)****Asset Name**

Bruntsfield Links
 Calton Hill
 City Chambers Complex
 City Observatory
 East Market St Garage
 Grassmarket - MARTYR'S CROSS MONUMENT
 Inch Park
 Lady Stair's House
 Meadows
 Meadows - NELSON PILLARS
 Meadows - SUNDIAL WEST
 Memorials - High Street
 Peoples Story Museum
 Portobello Park
 Princes St Gardens (East)
 Princes St Gardens (West)
 PSG - WALTER SCOTT MONUMENT -HISTORIC BUILDING
 PSG - ADAM BLACK STATUE
 PSG - ALLAN RAMSAY STATUE
 PSG - BURNS MONUMENT
 PSG - DAVID LIVINGSTON STATUE
 PSG - DEAN RAMSAY MEMORIAL CROSS
 PSG - FLORAL CLOCK
 PSG - GENIUS OF ARCHITECTURE STATUE
 PSG - ROBERT LOUIS STEVENSON MEMORIAL GROVE
 PSG - Ross Bandstand
 PSG - ROSS FOUNTAIN
 PSG - ROYAL SCOTS GREYS MONUMENT
 PSG - ROYAL SCOTS MONUMENT
 PSG - SCOTTISH AMERICAN WAR MEMORIAL
 PSG - SIR JAMES Y SIMPSON STATUE
 PSG (W) - MEMORIAL STONE
 PSG -NORWEGIAN MEMORIAL STONE
 PSG -ST MARGARET'S WELL
 PSG -THOMAS GUTHRIE STATUE
 Roseburn Park
 S Queensferry Harbour
 Scotland Street Lane
 Scott Monument
 Session House, Dalmeny
 Session Lands, Dalmeny
 St James Place

Note - PSG is used as an abbreviation for Princes Street Gardens