

# Finance and Resources Committee

**10.00am, Tuesday, 5 September 2017**

## **Common Good Annual Performance 2016-17**

Item number	8.3
Report number	
Executive/routine	
Wards	

### **Executive Summary**

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The report presents the outturn position for the Common Good Fund and the performance of its cash investments for the 2016/2017 financial year.

The report includes an update on the Common Good Property Planned Maintenance Fund and the plans for the 2017/18 financial year.

The report also includes an update on current issues affecting the Common Good in Edinburgh.

## Common Good Annual Performance 2016-17

### 1. Recommendations

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

### 2. Background

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- 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 the inhabitants of the city. In effect the Council holds the Common Good Fund for the benefit of the city as a whole.

### 3. Main report

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#### Financial Outturn

- 3.1 All income and expenditure 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, in Appendix 1 and the table below, as being made against the Council for the use of the assets for £1.194m (£1.407m 2015/16).
- 3.2 The unaudited accounts for the Common Good Fund for 2016/17 show an in-year surplus of £0.104m, compared to a deficit of £0.538m in 2015/16. All figures within the report are subject to rounding.
- 3.3 During 2016/17, the Council generated two capital receipts for the Common Good. An interest at 6-8 Market Street was sold with a receipt of £0.184m and land at St James Quarter was sold with a receipt of £0.042m, both of which were credited to the Common Good Fund.
- 3.4 The balance of the Common Good Fund as at 31 March 2017 was £2.402m (£2.298m 2015/16). £2m from the receipt of the sale of East Market Street Garage had been earmarked to fund a maintenance programme for Common Good assets as agreed at the 14 January 2016 Finance and Resources Committee. £1.890m of this earmarked fund remained as at 31 March 2017 and is included within the £2.402m above.

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

2015-16		2016-17		
		Direct	From Council Budgets	Total
£m		£m	£m	£m
3.578	Property Costs	0.111	3.115	3.226
0.019	Other Expenditure	0.020	0.000	0.020
3.597		0.131	3.115	3.246
(1.354)	Rents and Other Income	0.000	(1.395)	(1.395)
(0.127)	Capital Funding	0.000	(0.526)	(0.526)
(0.160)	Sale of Fixed Assets	(0.226)	0.000	(0.226)
(1.407)	Recharges	0.000	(1.194)	(1.194)
(0.011)	Investment Income	(0.009)	0.000	(0.009)
0.538	(Surplus) / Deficit	(0.104)	0.000	(0.104)

The detailed statement of accounts is shown in Appendix 1, which provides additional detail on the property costs.

- 3.6 The Council funded net expenditure of £1.921m (£1.481m 2015/16) on Common Good properties of which £1.395m (£1.354m 2015/16) was funded from revenue and £0.526m (£0.127m 2015/16) primarily from City Observatory capital funding. The three primary sources of the revenue funding were Princes Street Gardens (£0.523m), City Chambers Complex (£0.427m) and Scott Monument (£0.250m).
- 3.7 Much of the cash resources of the Common Good are invested with the Council's cash fund, with a balance held within the Council's loans fund to manage day to day cash flow. The interest earned on the investment amounted to £0.009m (£0.011m in 2015/16). The interest was re-invested with the cash fund throughout the year. A balance of £2.102m was held within the Treasury's cash fund at 31 March 2017 (£2.094m 2015/16).
- 3.8 The Council's cash fund investments' annual rate of return to March 2017 was 0.40% (0.48% 2015/16). This performance has been benchmarked against the 7 day London Inter Bank rate. The Council's cash fund outperformed the benchmark rate of 0.20% by 0.20% (0.12% in 2015/16) during the year.

### **Common Good Properties**

- 3.9 The list of properties included in the financial accounts as assets of the Common Good fund is listed in Appendix 2.
- 3.10 329 High Street and an electricity wayleave were the only assets added to the Common Good Asset Register in 2016/17. On 23 February 2017, the Finance and Resources Committee approved a referral report from the Economy Committee on 7 February 2017 for the disposal of 329 High Street. As the sale has not yet completed the benefit to the Common Good Fund from the capital receipt cannot be reported.
- 3.11 A team has now been established, per the Community Empowerment (Scotland) Act 2015, which will be responsible for compiling the Common Good Asset Register, as reported to Council on 2 June 2016, with an initial focus of examining those assets historically thought to be Common Good, with a progress update provided at 3.19.
- 3.12 The value of Common Good assets is determined in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The property holdings of the Common Good are mainly held at historic cost as Community or Heritage Assets and, as such, are not subject to revaluation. Only those parts which may have the capacity to be used to generate income are subject to revaluation.
- 3.13 The net value of the Common Good property holdings was notionally increased due to new recognitions. In adhering to the code, the valuations for community and heritage assets on the Common Good balance sheet may appear low. As they are based on a historic cost methodology, the valuation given often acts as a proxy to log ownership of the asset on the register. Due to the historic nature of the Common Good Asset Register and the fact that there is generally no readily available market valuation for a number of the assets, the figures are indicative for accounting purposes in line with agreed treatment, although the valuations are notional rather than reflecting the real economic value.
- 3.14 The properties held by the Council on behalf of the Common Good are managed as part of the overall Council estate. Following the report on the Corporate Asset Strategy 2015-19 to Corporate Policy and Strategy Committee on 12 May 2015, performance indicators have been established to measure improvement on the condition of the property portfolio. Properties will be surveyed at least every five years and the indicators updated.
- 3.15 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 2016-17 capital investment was undertaken on Common Good assets, the most significant of which was improvements at the City Observatory (£0.621m) and at the City Chambers (£0.293m) complex.

### **Current Issues Affecting the Common Good in Edinburgh**

#### **Community Empowerment (Scotland) Act 2015**

- 3.16 The Scottish Government issued draft guidance for consultation on 30 June 2017, with responses invited by 29 September 2017. The consultation concerns the statutory guidance related to Part 8 of the Community Empowerment (Scotland) Act 2015 – common good registers - and asks for views on issues such as timescales, information about assets, local consultation, publicising proposals and disposal and use of common good property.
- 3.17 Each local authority will be required to publish a list of property which it proposes to include on its Common Good register and to consult on this list. There will be no requirement on local authorities to make checks or confirm title beforehand. Individuals and community bodies can make a case for property to be included in or excluded from the register. Each local authority will have time to investigate and respond to representations before making a final decision as to inclusion on the list. The Common Good register is required to be published within six months of the end of this second consultation period.
- 3.18 It is unclear at this stage when Part 8 of the Act will come into force but it is anticipated that this will be towards the end of the 2017/18 financial year.
- 3.19 Council staff have begun to collate information regarding those properties historically considered by the Council to be common good, specifically those included on the common good register of assets for accounting purposes, relevant parks and other assets with a public function. Work has also progressed on developing a methodology for assessing all properties' common good status, taking into account the relevant legal tests.
- 3.20 Progress is being accelerated by seconding a solicitor from an external legal firm to Legal Services to release a Council solicitor to work on the project and additional administrative support has also been appointed.

### **Ross Bandstand**

- 3.21 The winning design for the replacement of the Ross Bandstand was announced on 1 August 2017. The Council is now in the process of obtaining the consent of the Court of Session regarding the common good implications of the proposed scheme and the consent of Parliament for amendments to the City of Edinburgh District Council Order Confirmation Act 1991.

### **Common Good Property Planned Maintenance**

- 3.22 On 19 October 2015, the Governance, Risk and Best Value Committee requested that the Head of Finance explore ways to use the Common Good Fund to maintain proactively and refurbish Common Good property.
- 3.23 On 14 January 2016, the Finance and Resources Committee approved the use of the Common Good Fund for planned maintenance of the Common Good assets. In the 2015/16 financial year, the total amount spent was £6,931 on Scott Monument lighting. An additional £102,283 of cost was incurred in the 2016/17 financial year with a final £2,710 expected in 2017/18 to complete the lighting project.

- 3.24 Annual stonework safety surveys costing approximately £10,000 will be carried out on the Scott Monument, Nelson Monument, Calton Hill Monuments and buildings, Canongate Tolbooth and Lady Stairs House. Any necessary public safety works identified will be carried out at that time and reported in the following committee cycle. Separately, surveys on the Scott Monument high-level walkway safety barriers will also be carried out in 2017/18.
- 3.25 The Council is currently carrying out estate-wide condition surveys of its operational estate, which includes common good properties, and these will be completed in autumn 2017. These surveys will be analysed to identify and prioritise maintenance and upgrade requirements. To ensure that the maximum long-term impact is achieved, it is proposed that the condition survey analysis is completed to allow identification of priorities prior to allocation of common good funding.
- 3.26 Costs are also being obtained for the refurbishment and the refitting of the public clock that was removed from the previous Portobello Town Hall (now Portobello Baptist Church) due to condition and safety concerns. These will be reported to the Committee for their consideration in conjunction with the outcomes of the condition surveys and proposed programme of works.

#### **4. Measures of success**

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- 4.1 Through the Council's Financial Statements, the Common Good account receives an unqualified audit certificate from the External Auditor by 30 September 2017.

#### **5. Financial impact**

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- 5.1 There is no direct financial impact arising from the content of this report. However, outcomes of the condition surveys and the on-going asset review may have future financial impacts.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 The risk that Common Good property could be unlawfully disposed of or appropriated is managed within the review processes currently in place. This process has been further improved with Council staff comprising a solicitor, surveyor and property research officer being established to develop and maintain a Common Good Asset Register in response to the Community Empowerment (Scotland) Act.
- 6.2 The Council's response to the Scottish Government draft guidance will be reported to Finance and Resources Committee on 28 September 2017.

## **7. Equalities impact**

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- 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 the City's inhabitants.

## **8. Sustainability impact**

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- 8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

## **9. Consultation and engagement**

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- 9.1 The Council's unaudited annual accounts, including the Common Good, were published on the Council's website from 30 June 2017 and made available for public inspection for a period of 15 working days in accordance with the provisions of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014.

## **10. Background reading/external references**

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- 10.1 ["Corporate Asset Strategy 2015-19" - report to Corporate Policy and Strategy Committee 12 May 2015](#)
- 10.2 ["Common Good Assets Register" - report to Corporate Policy and Strategy Committee 4 August 2015](#)
- 10.3 ["Common Good Asset Register" – report to Corporate Policy and Strategy Committee 1 December 2015](#)
- 10.4 ["Common Good Planned Maintenance Programme and Common Good Reporting" – report to Finance and Resources Committee 14 January 2016](#)
- 10.5 ["West Princes Street Gardens and the Ross Bandstand – update" – report to Council 30 June 2016](#)
- 10.6 ["Common Good Annual Performance Report 2015/16 – report to Finance and Resources Committee 18 August 2016](#)
- 10.7 ["Common Good Asset Register" – report to Finance and Resources Committee 23 February 2017](#)
- 10.8 ["Community Empowerment and Common Good Property", Scottish Government June 2017](#)

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## 11. Appendices

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Appendix 1 - Unaudited Common Good Fund Annual Accounts 2016/17

Appendix 2 - List of Common Good Assets as at 31 March 2017



**COMMON GOOD FUND****Appendix 1**

2015/16			2016/17
£			£
	<b>REVENUE ACCOUNT</b>		
	<b>Expenditure</b>		
	<i>Property Costs</i>		
78,605	Bruntsfield Links		79,642
42,308	Calton Hill / Calton Road		39,450
39,227	Canongate Tolbooth (People's Story Museum)		48,833
1,383,470	City Chambers		1,496,700
95,757	City Observatory		621,299
673,278	Custom House		6,283
78	East Market Street Garage		0
59,357	Inch Park		54,837
80,070	Lady Stairs House		25,473
127,593	Meadows		102,712
6,581	Nelson Monument		23,550
12,527	Portobello Park		10,405
45,999	Roseburn Park		25,542
932,497	Princes Street Gardens (including Ross Theatre and Scott Monument)		691,050
374	Other Incidentals		379
3,577,721			3,226,156
	<i>Other</i>		
630	Cash Fund Fees		629
18,109	Central Support Costs		19,056
3,596,461			3,245,842
	<b>Income</b>		
1,353,885	Rents and Other Income	1,395,013	
126,931	Capital Funding	526,430	
159,480	Proceeds from sale of Fixed Assets	225,494	
340	Proceeds from redemption of Investment Bonds	0	
11,011	Investment Income	9,054	
1,651,647		2,155,991	
	1,406,945 Recharge to City of Edinburgh Council for Use of Assets	1,194,114	
3,058,592	0 Transfer from Disabled Access Grants Reserve	0	3,350,105
537,869	<b>(Surplus) / Deficit for Year</b>		<b>(104,263)</b>

	<b>STATEMENT OF MOVEMENT ON THE COMMON GOOD FUND</b>	
£		£
537,869	Deficit / (Surplus) for the Year on the Common Good Income and Expenditure Account	(104,263)
537,869		(104,263)

**COMMON GOOD FUND****Appendix 1**

	Whereof:		
(537,869)	Added to (Transferred from) Common Good Fund		104,263
<u>(537,869)</u>			<u>104,263</u>
31st March 2016	<b>BALANCE SHEET</b>	31st March 2017	
	<b>Operational Assets</b>		
0	Other Land and Buildings	0	
<u>21,892,048</u>	21,892,048 Community Assets	<u>21,892,050</u>	21,892,050
	<b>Non-Operational Assets</b>		
0	Surplus Assets Held for Disposal		0
<u>0</u>	<b>Deferred Charges</b>		<u>0</u>
21,892,048			21,892,050
102,960	<b>Heritage Assets</b>		102,960
0	<b>Investments (at cost)</b>		0
	<b>Current Assets</b>		
141,540	Short Term Investments	311,454	
180,712	Balance with Loans Fund	277,257	
<u>1,952,769</u>	Cash and Cash Equivalents	<u>1,790,573</u>	
2,275,021		2,379,285	
	<b>Less: Current Liabilities</b>		
<u>2,275,021</u>	Creditors	<u>0</u>	2,379,285
<u>24,270,029</u>	<b>NET ASSETS</b>		<u>24,374,294</u>
	<b>Represented by :</b>		
21,994,008	<b>Revaluation Reserve</b>		21,994,010
(22,050)	<b>Capital Adjustment Account</b>		(22,050)
<u>0</u>	<b>Disposals/Revaluations</b>		<u>0</u>
21,971,958			21,971,960
	<b>Common Good Fund</b>		
1,654,357	Fund at start of year	2,298,071	
1,181,583	Transferred to Revenue Account	0	
(537,869)	Surplus for year / (Deficit)	<u>104,263</u>	2,402,334
2,298,071			
<u>24,270,029</u>			<u>24,374,294</u>

**COMMON GOOD FUND**

	Community Assets £	Land and Buildings £
Balance as at 1 April 2016	21,892,048	0
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	2	
Balance as at 31 March 2017	<u>21,892,050</u>	<u>0</u>

**(B) Information on Assets Held:-**

The Fixed Assets owned by the Common Good Fund include the following approximate numbers as at 31st March 2017

Community Assets -	
Monuments and Other Activities	22
Parks and Open Spaces	32
Non Operational Assets	
Shops, Industrial Units and other commercial lettings	18

**(C) Revaluation Reserve**

Balance brought forward as at 1 April 2016	(21,994,008)
Restated - Capital Adjustment Account to Revaluation Rese	0
Revaluation of Assets	
Upward revaluation of assets	(2)
Downward revaluation of assets	<u>(2)</u>
Derecognition - disposals	0
Balance as at 31 March 2017	<u>(21,994,010)</u>

**Appendix 1**

Surplus Assets Held for Disposal £	Total £	Heritage Assets £
0	21,892,048	102,960
	2	
<u>0</u>	<u>21,892,050</u>	<u>102,960</u>

**(D) Capital Adjustment Account**

Balance brought forward as at 1 April 2016	22,050
Restated - Accumulated Depreciation	
Restated - Capital Adjustment Account to Revaluation Reserve	
Net written out of cost non-current assets consumed in year	<u>22,050</u>
Revaluation Losses on Property, Plant and Equipment	
Adjusting Amounts w/o of Revaluation Reserve	
Other Movements	
Balance as at 31 March 2017	<u>22,050</u>

## **COMMON GOOD**

### **REGISTER OF ASSETS (for Accounting Purposes)**

#### **Asset Name**

Bruntsfield Links  
Calton Hill  
City Chambers Complex  
City Observatory  
Custom House  
Grassmarket - Martyr's Cross Monument  
Inch Park  
Lady Stair's House  
Meadows  
Meadows - Nelson Pillars  
Meadows - Sundial West  
Memorials - High Street  
Canongate Toolbooth (People's 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  
Scotland Street Lane  
Scott Monument  
Session House, Dalmeny  
Session Lands, Dalmeny  
South Queensferry Harbour  
St James Place  
Substations

#### **Notes**

- 1.) PSG is used as an abbreviation for Princes Street Gardens
- 2.) Custom House is an asset of the fund but is not Common Good