

Governance, Risk and Best Value Committee

10.00am, Thursday, 17 November 2016

Common Good Audited Accounts 2015/16

Item number	7.1
Report number	
Executive/routine	
Wards	

Executive Summary

On 26 September 2016, in considering the Audited Accounts, the Governance, Risk and Best Value Committee requested clarification be provided on a number of aspects of the accounting treatment adopted in respect of Common Good-related transactions during the year.

This report addresses the matters raised and provides additional detail on the 2015/16 Common Good Annual Performance.

Links

Coalition Pledges	P30 , P31
Council Priorities	CO19
Single Outcome Agreement	S02

Common Good Audited Accounts 2015/16

1. Recommendations

- 1.1 Members of the Governance, Risk and Best Value Committee are asked to:
- 1.1.1 Note the contents of this report; and
 - 1.1.2 Note that Common Good-related matters will continue to be reported to Finance and Resources Committee, unless policy decisions are required in which circumstance the matter will be reported to the Corporate Policy and Strategy Committee.

2. Background

- 2.1 In administering property held as part of the Common Good, the City of Edinburgh Council has a statutory obligation under the Local Government etc. (Scotland) Act 1994, Section 15(4) (b) 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.

3. Main report

- 3.1 All income and expenditure relating to Common Good property, including that which is incurred from within main Council budgets, is 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. This results in a position whereby income and expenditure are in full alignment.
- 3.2 The £0.038m total expenditure on the Common Good Fund as reported on page 133 of the Council's Audited Financial Statements is a combination of central support charges, legal fees and planned property maintenance costs.

Acquisition of Custom House

- 3.3 During 2015/16, the Common Good Fund acquired Custom House, 69 Commercial Street, Leith for £0.671m to use the building as a museum for the benefit of Leith and the wider city. In addition to the acquisition of Custom House, the Council generated two capital receipts for the Common Good. Land at Cathedral Lane was sold with a receipt of £0.108m and a property in Granton Road was sold with a receipt of £0.051m, both of which were credited to the Common Good Fund.

- 3.4 Following acquisition of Custom House, the Finance and Resources Committee approved its lease to Scottish Historic Buildings Trust (SHBT). The SHBT assumed responsibility for internal repairs with the Council retaining responsibility for external repairs, with Custom House being held on the Common Good Asset Register at a nominal £1,000. Based on the accounting treatment of this and the above disposals, a £0.511m net loss on disposal of fixed assets was reported, as seen on page 133 of the Council's Audited Financial Statements.

Financial Outturn, 2015/16

- 3.5 The majority 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 £0.011m (£0.011m in 2014/15). The interest was re-invested with the cash fund throughout the year. A balance of £2.094m was held within the Treasury cash fund at 31 March 2016 (£2.756m 2014/15).
- 3.6 The following table summarises the income and expenditure for the Common Good Fund for the year.

2014/15		2015/16		
		Direct	From Council Budgets	Total
£m		£m	£m	£m
4.027	Property Costs	0.689	2.888	3.577
0.013	Other Expenditure	0.019	0.000	0.019
<u>4.040</u>		<u>0.708</u>	<u>2.888</u>	<u>3.596</u>
(1.273)	Rents, Fees and Charges	0.000	(1.481)	(1.481)
(1.218)	Sale of Fixed Assets	(0.159)	0.000	(0.159)
(2.723)	Recharges	0.000	(1.407)	(1.407)
(0.011)	Investment Income	(0.011)	0.000	(0.011)
<u>(1.185)</u>	(Surplus) / Deficit	<u>0.538</u>	<u>0.000</u>	<u>0.538</u>

- 3.7 The £0.038m total expenditure on the Common Good Fund, along with the £0.511m net loss on disposal of fixed assets and the £0.011m of interest earned combine to give the £0.538m deficit on provision of services shown in the Audited accounts for the Common Good Fund for 2015/16, compared to a surplus of £1.185m in 2014/15.

- 3.8 The detailed statement of accounts, previously considered by the Finance and Resources Committee as part of the Common Good Annual Performance Report on 18 August 2016, is shown in Appendix 1, with a list of the assets held as part of the Common Good Fund included as Appendix 2. The former shows the breakdown of expenditure by property, with £2.888m of this coming from Council budgets. Further detail of the nature of this expenditure is then included in Appendix 3. Income which has been classed as Rents of £1.481m was received across these properties, from a variety of capital and revenue sources. This income consists of admission charges at the Scott Monument and Nelson Monument, funding received for improvement works at the City Observatory and income from events held on Princes Street Gardens, the Meadows and in the City Chambers complex. Finally, a recharge of £1.407m to Council budgets, serving as a property rental, balances the property costs with the rents, fees and charges received.
- 3.9 The net value of the Common Good property holdings was increased by £0.134m due to net upward revaluations (£0.132m 2014/15).
- 3.10 This £0.134m is then added to the £0.538m deficit on provision of services to produce the £0.404m total comprehensive expenditure for the 2015/16 financial year.

4. Measures of success

- 4.1 As part of the wider review of the Council's Financial Statements, the Common Good account received an unqualified audit certificate from the External Auditor.

5. Financial impact

- 5.1 The deficit in the Common Good Revenue Account primarily resulted from the acquisition of Custom House in 2015/16. The underlying outturn was a deficit of £0.008m as the cost of managing the fund exceeds the interest earned on its investments.

6. Risk, policy, compliance and governance impact

- 6.1 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 the balance sheet value of fixed assets understated. Audit Scotland is aware of the Council's approach and the work being undertaken by Corporate Property and Facilities Management.
- 6.2 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 strengthened with Council staff comprising a solicitor, surveyor and property research officer established to develop and maintain a Common Good Asset Register.

7. Equalities impact

- 7.1 There is no direct impact 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.

8. Sustainability impact

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

9. Consultation and engagement

- 9.1 None.

10. Background reading/external references

- 10.1 "[Common Good Planned Maintenance Programme and Common Good Reporting](#)" – report to Finance and Resources Committee, 14 January 2016
- 10.2 "[Common Good Annual Performance Report](#)" – report to Finance and Resources Committee, 18 August 2016
- 10.3 "[CEC – Report to those Charged with Governance on 2015-16 Audit](#)" – report to Governance, Risk and Best Value Committee, 26 September 2016

Hugh Dunn

Acting Executive Director of Resources

Contact: Catrina Montgomery, Senior Accountant

E-mail: catrina.montgomery@edinburgh.gov.uk | Tel: 0131 469 3497

11 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.
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Council Priorities	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	SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health
Appendices	<ol style="list-style-type: none"> 1. Audited Common Good Fund Annual Accounts 2015/16 2. Common Good Asset Register as at 31 March 2016 3. Common Good Fund property-related expenditure 2015/16

COMMON GOOD FUND

Appendix 1

2014/15	REVENUE ACCOUNT	2015/16
£	Expenditure	£
80,471	<i>Property Costs</i>	
45,477	Bruntsfield Links	78,605
38,063	Calton Hill / Calton Road	42,308
2,725,893	Canongate Tolbooth	39,227
203,901	City Chambers	1,383,470
29,315	City Observatory	95,757
54	Custom House	673,278
52,630	East Market Street Garage	78
30,269	Inch Park	59,357
251,154	Lady Stairs House	80,070
11,892	Meadows	127,593
12,946	Nelsons Monument	6,581
30,695	Portobello Park	12,527
514,164	Roseburn Park	45,999
14	Princes Street Gardens (including Ross Theatre and Scott Monument)	932,497
4,026,938	Other Incidentals	<u>374</u>
		3,577,721
	<i>Other</i>	
0	Cash Fund Fees	630
12,773	Central Support Costs	<u>18,109</u>
4,039,711		3,596,461
	Income	
	1,273,060 Rents	1,480,816
	1,217,951 Proceeds from sale of Fixed Assets	159,480
	1,400 Proceeds from redemption of Investment Bonds	340
	<u>9,701</u> Investment Income	<u>11,011</u>
	2,502,112	1,651,647
	2,723,062 Recharge to City of Edinburgh Council for Use of Assets	1,406,945
	0 Transferred from Fit for Future Earmarked Reserve	0
5,225,174	0 Transfer from Disabled Access Grants Reserve	<u>0</u>
<u>(1,185,463)</u>	(Surplus) / Deficit for Year	<u>3,058,592</u>
		<u>537,869</u>

£	STATEMENT OF MOVEMENT ON THE COMMON GOOD FUND	£
(1,185,463)	Deficit / (Surplus) for the Year on the Common Good Income and Expenditure Account	537,869
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>(1,185,463)</u>		<u>537,869</u>
	Whereof:	
3,880	Added to (Transferred from) Common Good Fund	(537,869)
1,181,583	Transferred to Fit for Future Earmarked Reserve	0
<u>1,185,463</u>		<u>(537,869)</u>

COMMON GOOD FUND

Appendix 1

31st March 2015	BALANCE SHEET	31st March 2016
	Operational Assets	
0	Other Land and Buildings	0
21,757,296	<u>Community Assets</u>	<u>21,892,047</u>
	Non-Operational Assets	
0	Surplus Assets Held for Disposal	0
0	Deferred Charges	<u>0</u>
21,757,296		21,892,047
102,960	Heritage Assets	102,960
	Investments (at cost)	0
340	Current Assets	
	Debtors	0
1,993	Short Term Investments	141,540
2,756,061	Provision for Bad Debts	0
0	Balance with Loans Fund	180,712
57,829	Cash and Cash Equivalents	<u>1,952,769</u>
0		2,275,021
2,815,883	Less: Current Liabilities	
	Creditors	0
2,813,890		<u>2,275,021</u>
(1,993)	NET ASSETS	<u>24,270,028</u>
<u>24,674,486</u>		
	Represented by :	
21,860,256	Revaluation Reserve	21,994,007
(21,710)	Capital Adjustment Account	(22,050)
0	Disposals/Revaluations	<u>0</u>
21,838,547		21,971,957
	Common Good Fund	
1,650,477	Fund at start of year	1,654,357
0	Transferred from Fit for Future Earmarked Fund	1,181,583
1,654,357	<u>Surplus for year / (Deficit)</u>	<u>(537,869)</u>
		2,298,071
0	Unrealised Gains on Investments	0
	Fit for Future Earmarked Fund	
0	Balance at start of year	0
1,181,583	Surplus for year /Deficit	0
0	<u>Transferred to Revenue Account</u>	<u>0</u>
1,181,583		0
<u>24,674,486</u>		<u>24,270,028</u>

COMMON GOOD FUND

Appendix 1

	Community Assets £	Land and Buildings £	Surplus Assets Held for Disposal £	Total £	Heritage Assets £
Balance as at 1 April 2015	21,757,296	0	0	21,757,296	102,960
Restated	0	0	0	0	0
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	134,751	0	0	134,751	0
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	0	0	0	0	0
Balance as at 31 March 2016	<u>21,892,047</u>	<u>0</u>	<u>0</u>	<u>21,892,047</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 2016

Community Assets - Monuments and Other Activities	20
Parks and Open Spaces	31
Non Operational Assets Shops, Industrial Units and other commercial lettings	18

(C) Revaluation Reserve

Balance brought forward as at 1 April 2015	(21,860,256)
Restated - Capital Adjustment Account to Revaluation Reserve	0
Revaluation of Assets Upward revaluation of assets	(133,751)
Downward revaluation of assets	<u>(133,751)</u>
Derecognition - disposals	0
Balance as at 31 March 2016	<u><u>(21,994,007)</u></u>

(D) Capital Adjustment Account

Balance brought forward as at 1 April 2015	21,710
Restated - Accumulated Depreciation	
Restated - Capital Adjustment Account to Revaluation Reserve	
Net written out of cost non-current assets consumed in year	<u>21,710</u>
Revaluation Losses on Property, Plant and Equipment	
Adjusting Amounts w/o of Revaluation Reserve	
Other Movements	340
Balance as at 31 March 2016	<u><u>22,050</u></u>

COMMON GOOD

Appendix 2

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
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
South Queensferry Harbour
Scotland Street Lane
Scott Monument
Session House, Dalmeny
Session Lands, Dalmeny
St James Place

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

Common Good Fund Property-Related Expenditure

Appendix 3

2015/16

Expenditure	£000
Bruntsfield Links	79
Calton Hill / Calton Road	42
Canongate Tolbooth	39
City Chambers	1,383
City Observatory	96
Custom House	673
Inch Park	59
Lady Stair's House	80
Meadows	128
Nelson Monument	7
Portobello Park	13
Roseburn Park	46
Princes Street Gardens (including Ross Theatre and Scott Monument)	932
Other Incidentals	1
	3,578

Main elements comprised as follows:

	£000
City Chambers	933 Premises Costs (Rates, Heating, Cleaning, etc.)
City Chambers	221 Capital Works - Stone and Roof, Boiler, Lighting
City Chambers	217 Repairs and Maintenance
City Chambers	9 Legal Fees
City Chambers	3 Mary King's Close

Total City Chambers 1,383

	£000
City Observatory	96 Capital Works

Total City Observatory 96

	£000
Custom House	671 Acquisition
Custom House	2 Repairs and Maintenance

Total Custom House 673

	£000
Meadows	82 Maintenance of Grounds
Meadows	4 Tree Works
Meadows	17 Staff Costs
Meadows	24 Capital Works

Total Meadows 128

	£000
Ross Theatre	390 Capital Works
Ross Theatre	12 Repairs and Maintenance
Princes Street Gardens	366 Staff Costs
Princes Street Gardens	79 Premises Costs
Princes Street Gardens	25 Transport and Supplies

Princes Street Gardens	2 Tree Works
Royal Scots Grey Monument	19 Capital Works
Scotts Monument	30 Repairs and Maintenance
Scotts Monument	7 Lighting
Ross Fountain	2 Repairs and Maintenance

Total Princes Street Gardens	932
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