

South Ayrshire Council

**Report by Director - Place
to Partnerships Panel
of 12 September 2018**

Subject: Performance Review of Common Good Funds

1. Purpose

- 1.1 The purpose of this report is to update the Panel on the performance of Common Good Funds administered by the Council.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 scrutinises the governance and asset management arrangements under which all Common Good Funds operate; and

2.1.2 agrees that further reports on performance of common good assets be by reports to Leadership Panel, with wider reviews every 3 years taken to Scrutiny Panel.

3. Background

- 3.1 The Council has responsibility for the administration of five Common Good Funds representing the former burghs of Ayr, Prestwick, Troon, Maybole and Girvan.

- 3.2 At its meeting on 13 September 2017, the Partnership Panel considered a report on the performance of Common Good Funds. (A copy of the Statement of Objectives, Management Principles and Governance Arrangements is attached as [Appendix 1](#).)

- 3.3 The responsibility for management of Common Good assets falls within the remit of Place Directorate, under the Service Lead – Asset Management and Community Asset Transfer, with the Service Lead having direct responsibility for the co-ordination and management of the process.

- 3.4 All financial spend relating to Common Good Funds is reported to the Leadership Panel for consideration with revenue budgets for the forthcoming year being reported to Council as part of the overall Council budget setting process. Quarterly monitoring reports are submitted to Leadership Panel and a year-end report is submitted to Leadership Panel summarising the current revenue and capital budgets of the Common Good Funds and accumulated reserves position.

- 3.5 The Council's Treasury Management and Investment Strategy 2018/19 was approved by Council on 1 March 2018. This document outlines the treasury management strategy for borrowing and investment which is managed within the Council's Loans Fund. Within the Loans Fund, borrowing and investment is managed on a pooled basis and includes investment from the Council, Housing Revenue Account, Trusts and Common Good Funds, amongst others.
- 3.6 The five Common Good Funds are therefore invested in the Council's Loans Fund and it is the performance of the Loans Fund which determines the interest rate achieved on the Common Good investment.

4. Proposals

- 4.1 Members approved the Common Good revenue and capital budgets for 2017/18 on 2 March 2017.
- 4.2 The Common Good Funds as at 31 March 2018 had total usable reserves of £0.366m revenue and £0.920m capital, all of which is invested in the Council's Loans Fund.
- 4.3 The unaudited Annual Accounts show the valuation of fixed assets with the gross book value of assets at 31 March 2018 in relation to all five Common Good Funds as totaling £15.467m.
- 4.4 The strategic objectives for the Common Good Fund in terms of an Asset Management Plan are to:
- 4.4.1 deploy Common Good Fund assets and resources for the benefit and enrichment of the people of the area concerned;
 - 4.4.2 maximise income from Common Good Fund assets and resources to ensure the Financial sustainability of the Funds;
 - 4.4.3 where appropriate, use Common Good Fund assets and resources to finance strategic investment in specific Council priorities that have been agreed as addressing objective 4.4.1 above in respect of the relevant area; and
 - 4.4.4 use surplus Common Good Fund revenue resources to support Council priorities, on the basis of criteria to be developed.
- 4.5 In terms of managing the Common Good land and buildings assets it is recognised that these assets require to be maintained. This is however subject to the level of funding which is available within each Common Good Fund. The Council is however open to innovation in its development of management of Common Good Fund assets and resources.
- 4.6 Income from Common Good assets is sustained at as a high a level as possible with the rentals of all commercial investment assets and assets which Council services occupy agreed at market value in order that the income is maintained

- 4.7 Disposal of Common Good assets requires the Council to petition the sheriff for specific permission on a case by case basis. Any disposal could increase the capital balance but may have an adverse impact on the revenue position through loss of rental income. From an asset management perspective the Common Good land and property assets will be retained if the rental exceeds that which could be achieved by investing the capital at the bank, or if the property is being held to support an adopted strategy.
- 4.8 A list of the land and property assets held within the Common Good Funds is shown attached in [Appendix 2](#).
- 4.9 The 2017/18 financial position in relation to each of the five Common Good Funds is as follows, with all information taken from the unaudited Annual Accounts:

4.9.1 ***Ayr Common Good Fund***

Gross book value of assets at 31 March 2018 was £14.731m (land: £3.437m; buildings: £11.294m).

Revenue reserves: £0.062m; capital reserves: £0.885m as at 31 March 2018. Income received for the year from leased out Ayr Common Good assets was £0.581m, of which £0.445m was received from the Council in respect of services occupying the Town Buildings, Citadel, Wallace Tower and Rozelle House.

Ayr Common Good Fund revenue reserves balance reduced in recent years as a consequence of the contribution to Ayr Townscape Heritage Initiative. Following completion of that project, Ayr Common Good Fund is budgeted to return to an annual surplus of income over expenditure; however this is predicated on current levels of rental income continuing in future years.

4.9.2 ***Prestwick Common Good Fund***

Gross book value of assets at 31 March 2018 was £0.694m (land: £0.376m; buildings: £0.318m).

Revenue reserves: £0.260m; capital reserves: £0.035m as at 31 March 2018. Income received for the year from leased out Prestwick Common Good assets was £0.025m, of which £0.011m was received from the Council in respect of the Freeman Hall at The Cross.

Prestwick Common Good Fund revenue reserves balance has reduced in recent years as the Fund has run at a deficit of approximately £6,000 per annum, mainly as a result of the annual grounds maintenance costs exceeding the annual income. The 2018/19 budget was set on the basis that the Fund breaks even and this will be monitored throughout the year.

4.9.3 **Troon Common Good Fund**

Gross book value of assets at 31 March 2018 was £0.031m (land: £0.004m; buildings: £0.027m).

Revenue reserves: £0.033m; no capital reserves balance as at 31 March 2018.

There was no income received for leased out Troon Common Good assets (none leased out during 2017/18).

4.9.4 **Girvan Common Good Fund**

Gross book value of assets at 31 March 2018 was £0.011m (land: £0.007m; buildings: £0.004m).

Revenue reserves: £0.009m; no capital reserves balance as at 31 March 2018.

There was no income received for leased out Girvan Common Good assets (none leased out).

A deficit funding agreement was approved by the Council's Leadership Panel of 29 January 2008. It was agreed that the Council would take over all operational aspects of the Girvan Common Good in perpetuity whilst the ownership of the assets remained with the Common Good. An approximate deficit of £45,000 per annum is met by the Council to cover grounds maintenance costs and the electricity costs of the Stumpy Tower.

4.9.5 **Maybole Common Good Fund**

There are no fixed assets relating to Maybole Common Good Fund.

Revenue reserves: £0.002m; no capital reserves balance as at 31 March 2018.

- 4.10 The majority of this report deals with the financial performance of Common Good Funds. It is, therefore, proposed that, in future, updates on performance are submitted to the Leadership Panel, in accordance with other financial reports. Good practice indicates, however, that there is a requirement to review the overall holding and approach to Common Good assets in a period not exceeding 5 years. It is, therefore, further proposed that a full review be undertaken and reported back to Scrutiny Panel in 3 years' time.

5. **Legal and Procurement Implications**

- 5.1 There are no legal implications arising from this report.

- 5.2 There are no procurement implications arising from this report.

6. Financial Implications

- 6.1 The financial position relating to each Common Good Account is as listed in section 4.9 above. It is worth noting the requirement for subsidy and declining balances that affect some of the Common Good accounts.

7. Human Resources Implications

- 7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

- 8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

- 8.2.1 There are no risks associated with rejecting the recommendations.

9. Equalities

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 3](#).

10. Sustainable Development Implications

- 10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

- 12.1 The matters referred to in this report contribute to the Council strategic objective of 'Effective leadership that promotes fairness' and within that to the outcome 'Involve all stakeholders in addressing resource challenges and achieving Council and local plan outcomes'.

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Peter Henderson, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

Background Papers **Report to Partnerships Panel of 13 September 2017 - [Performance Review of Common Good Funds](#)**

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