

**REPORT TO:** East Lothian Council

**MEETING DATE:** 25 June 2019

**BY:** Depute Chief Executive (Resources and People Services)

**SUBJECT:** Common Good Funds – Budget 2019-20 to 2021-22

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## **1 PURPOSE**

- 1.1 To approve the budgets for the Dunbar, Haddington, Musselburgh and North Berwick Common Good Funds for 2019-20 to 2021-22.

## **2 RECOMMENDATIONS**

- 2.1 The Council is recommended to:
- Note the draft financial results for 2018-19 on each of the Common Good Funds.
  - Approve the 2019-20 to 2021-22 budgets as set out in Appendix 1a to 1d.

## **3 BACKGROUND**

- 3.1 The financial performance of the Common Good Funds to end of March 2019 is included within the Council's annual statutory accounts. As highlighted in the 2018-19 Financial Review paper considered earlier by Council, the accounts are still subject to audit and whilst we do not expect any material changes that would affect the reported position, the figures within this report should still be considered draft pending the outcome of the full audit.
- 3.2 As at 31 March 2019, the accumulated funds for each of the Common Good funds based on the unaudited accounts are set out below:

<b>Common Good Fund</b>	<b>£'000</b>
Dunbar	52
Haddington	575
Musselburgh	6,270
North Berwick	473
<b>TOTAL</b>	<b>7,370</b>

3.3 The fund has increased from £6.167 million at 31 March 2018 to £7.370 million and increase of £1.203 million, achieved through a combination of the following:

- A net surplus generated during 2018-19 of £0.320 million.
- A change in accounting standards which has resulted in a reclassification of reserves of £0.883m from unusable to usable in the year. This reflects a change in revaluation of investments and any unrealised gain or loss as a result of revaluation, should now be reflected as soon as they are known. This must now be reflected within the usable Common Good reserve, however it should be noted that future gains and, importantly, losses on revaluation will also be charged directly to this reserve in the year they arise, and therefore should not be considered as genuine available balances to support on-going budgets until they are realised. The total Common Good Fund reserve related to unrealised gains and losses is £946,000 and set out in the table below:

<b>Common Good Fund</b>	<b>£'000</b>
Dunbar	8
Haddington	22
Musselburgh	866
North Berwick	50
<b>TOTAL</b>	<b>946</b>

3.4 The Scheme of Administration requires the Council to approve an updated budget for each of the four Common Good Funds. The indicative 2019-20 and 2020-21 budgets were approved by Council in June 2018, and have been rolled forward and updated based largely on historical spending patterns and take into account any known commitments for 2019-20 and beyond. In the first instance, income is used to maintain the common good asset base with any surplus funds being used to benefit the inhabitants of

the area covered by the fund. The draft budgets are set out in Appendices 1a to 1d.

3.5 In addition, the common good budgets have been prepared to reflect the following matters:

- The budgets include an assumption of costs which flow from the previous paper on the review of Common Good and are therefore subject to Council approval of the recommendations of that report in respect of temporary resources to support the required wider asset review. The total estimated cost of this work is £50,000 and has been split proportionately across the Common Goods in line with the current number of assets.
- Musselburgh Common Good - In April 2018, Council previously approved an application to fund repairs at Fisherrow Harbour to the value of £170,000. Work is progressing and it is expected that some costs are likely to fall into 2019-20, and combined with spend during 2018-19 will now exceed the previous project approval with works now likely to cost around £204,000. The 2019-20 repairs budget provides for the remaining balance of works.
- Haddington Common Good – Council will be aware that significant repair work is required to the Town House in Haddington and that estimated costs were likely to be in excess of available fund balances. Provision was made within the Council’s approved capital plan to programme these works with the expectation that the Council would secure an appropriate rental holiday commensurate with the actual cost of works undertaken. Although this has yet to be finalised, the rental income stream reflected within the proposed budgets has been adjusted across the budgetary period.

3.6 Each of the Common Good Funds is administered by a committee which has the delegated authority to award grants of up to £10,000. Any decisions regarding award of grants over £10,000, or indeed expenditure outwith approved budgets must be referred to Council.

### **Investments**

3.7 East Lothian Council currently uses an external investment broker Investec Wealth & Investment Ltd to manage the Common Good balances investment portfolio. The fund investment balances as at 31 March 2019 are set out below alongside an indication as to the projected income level. The income generated in 2018-19 is broadly in line with indicative income projections set out for the year. In line with the approved Treasury Management Strategy, the investment policy is to balance growth in income and capital over the longer term alongside a medium level of risk. Given the wider economic conditions our Investment Fund Managers suggest that they expect future income levels to be maintained broadly in line with current income projections.

<b>Common Good Fund</b>	<b>Valuation as at 31 March 2019 £'000</b>	<b>Projected Income 2019-20 £'000</b>
Dunbar	29	1
Haddington	80	2
Musselburgh	3,168	96
North Berwick	182	6
<b>TOTAL</b>	<b>3,459</b>	<b>105</b>

#### **4 POLICY IMPLICATIONS**

4.1 None.

#### **5 INTEGRATED IMPACT ASSESSMENT**

5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

#### **6 RESOURCE IMPLICATIONS**

6.1 Financial – as described above

6.2 Personnel - none

6.3 Other - none

#### **7 BACKGROUND PAPERS**

7.1 Council 26 June 2018 – Item 4 – Common Good Funds – Budgets 2018-19 to 2020-21

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<b>DATE</b>	14 June 2019

## Appendix 1a

### Dunbar Common Good Income & expenditure Budget £000

	Budget 2018/19	Actual 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>					
Premises Repair & Maintenance					
Supplies & Services	18	22	20	20	20
Asset reviews: surveyor and legal costs (1)	2	3	2	2	2
Grants	0	0	8	0	0
	4	3	4	4	4
<b>Total Expenditure</b>	<b>24</b>	<b>28</b>	<b>34</b>	<b>26</b>	<b>26</b>
<b>Income</b>					
Rents & Other Income					
Interest / Investment Income	-23	-25	-24	-24	-24
Dividend income	-1	-1	-1	-1	-1
Revaluation of investments (IFRS9: shown as income from 18/19)	0	-1	-1	-1	-1
	0	-1	0	0	0
<b>Total Income</b>	<b>-24</b>	<b>-28</b>	<b>-26</b>	<b>-26</b>	<b>-26</b>
<b>Cost of Services</b>	<b>0</b>	<b>-0</b>	<b>8</b>	<b>0</b>	<b>0</b>
<b>Other Accounting Entries*</b>					
<b>Net Surplus for the year</b>	<b>0</b>	<b>-0</b>	<b>8</b>	<b>0</b>	<b>0</b>
IFRS9 adjustment to reclass unrealised gains/losses from unusable to usable reserves	0	-7	0	0	0
Common Good Balance	-45	-45	-52	-44	-44
<b>Accumulated Fund</b>	<b>-45</b>	<b>-52</b>	<b>-44</b>	<b>-44</b>	<b>-44</b>

\* Accounting entries including: assets and profit / loss on investments  
(1) - subject to Council approval on previous paper

## Appendix 1b

### Haddington Common Good Income & expenditure Budget £000

	Budget 2018/19	Actual 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>					
Premises Repair & Maintenance					
Supplies & Services	1	1	5	2	2
Asset reviews: surveyor and legal costs (1)	4	3	4	4	4
Grants	0	0	3	0	0
	35	0	10	10	10
<b>Total Expenditure</b>	<b>40</b>	<b>4</b>	<b>22</b>	<b>16</b>	<b>16</b>
<b>Income</b>					
Rents & Other Income					
Interest / Investment Income	-36	-37	0	0	0
Dividend income	-2	-2	-2	-2	-2
Revaluation of investments (IFRS9: shown as income from 18/19)	0	-2	-2	-2	-2
	0	-1	0	0	0
<b>Total Income</b>	<b>-38</b>	<b>-42</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>
<b>Cost of Services</b>					
	2	-38	18	12	12
<b>Other Accounting Entries*</b>					
<b>Net Surplus for the year</b>	<b>2</b>	<b>-38</b>	<b>18</b>	<b>12</b>	<b>12</b>
IFRS9 adjustment to reclass unrealised gains/losses from unusable to usable reserves					
Common Good Balance	0	-21	0	0	0
	-516	-516	-575	-557	-545
<b>Accumulated Fund</b>	<b>-514</b>	<b>-575</b>	<b>-557</b>	<b>-545</b>	<b>-533</b>

\* Accounting entries including: assets and profit / loss on investments

(1) - subject to Council approval on previous paper

## Appendix 1c

### Musselburgh Common Good Income & expenditure Budget £000

	Budget 2018/19	Actual 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>					
Premises - Repairs & Maintenance	225	177	92	45	45
Premises - Rates	22	23	24	24	24
Supplies & Services	45	39	45	45	45
Asset reviews: surveyor and legal costs (1)	0	0	31	0	0
Grants	150	105	150	150	150
Grant - Fireworks	18	18	18	18	18
<b>Total Expenditure</b>	<b>460</b>	<b>362</b>	<b>360</b>	<b>282</b>	<b>282</b>
<b>Income</b>					
Rents & Other Income	-365	-389	-380	-380	-380
Interest / Investment Income	-80	-59	-50	-50	-50
Dividend income	0	-97	-90	-90	-90
Revaluation of investments (IFRS9: shown as income from 18/19)	0	-57	0	0	0
<b>Total Income</b>	<b>-445</b>	<b>-602</b>	<b>-520</b>	<b>-520</b>	<b>-520</b>
<b>Cost of Services</b>	<b>15</b>	<b>-240</b>	<b>-160</b>	<b>-238</b>	<b>-238</b>
<b>Other Accounting Entries*</b>					
<b>Net Surplus for the year</b>	<b>15</b>	<b>-240</b>	<b>-160</b>	<b>-238</b>	<b>-238</b>
IFRS9 adjustment to reclass unrealised gains/losses from unusable to usable reserves	0	-809	0	0	0
Common Good Balance	-5,224	-5,222	-6,271	-6,431	-6,669
<b>Accumulated Fund</b>	<b>-5,209</b>	<b>-6,271</b>	<b>-6,431</b>	<b>-6,669</b>	<b>-6,907</b>

\* Accounting entries including: assets and profit / loss on investments  
(1) - subject to Council approval on previous paper

## Appendix 1d

### North Berwick Common Good Income & expenditure Budget £000

	Actual 2017/18	Budget 2018/19	Actual 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>						
Premises - Repairs & Maintenance	8	0	0	1	1	1
Premises - Rates		3	5	5	5	5
Supplies & Services	5	3	4	3	3	3
Asset reviews: surveyor and legal costs (1)		0	0	8	0	0
Grants	10	10	4	10	10	10
<b>Total Expenditure</b>	<b>23</b>	<b>16</b>	<b>13</b>	<b>27</b>	<b>19</b>	<b>19</b>
<b>Income</b>						
Rents & Other Income	-42	-42	-42	-42	-42	-42
Interest / Investment Income	-6	-4	-4	-4	-4	-4
Dividend income		0	-6	-5	-5	-5
Revaluation of investments (IFRS9: shown as income from 18/19)		0	-3	0	0	0
<b>Total Income</b>	<b>-48</b>	<b>-46</b>	<b>-55</b>	<b>-51</b>	<b>-51</b>	<b>-51</b>
<b>Cost of Services</b>	<b>-25</b>	<b>-30</b>	<b>-42</b>	<b>-24</b>	<b>-32</b>	<b>-32</b>
<b>Other Accounting Entries*</b>	<b>-5</b>					
<b>Net Surplus for the year</b>	<b>-30</b>	<b>-30</b>	<b>-42</b>	<b>-24</b>	<b>-32</b>	<b>-32</b>
IFRS9 adjustment to reclass unrealised gains/losses from unusable to usable reserves		0	-46	0	0	0
Common Good Balance	-355	-385	-384	-472	-496	-528
<b>Accumulated Fund</b>	<b>-385</b>	<b>-415</b>	<b>-472</b>	<b>-496</b>	<b>-528</b>	<b>-560</b>

\* Accounting entries including: assets and profit / loss on investments

(1) - subject to Council approval on previous paper