

REPORT TO: East Lothian Council

MEETING DATE: 23 April 2024

BY: Executive Director for Council Resources

SUBJECT: Common Good Budget 2024/25

1 PURPOSE

- 1.1 To provide an update on Common Good Funds and agree the proposed budgets for 2024/25.

2 RECOMMENDATIONS

- 2.1 The Council is recommended to:
- Note the ongoing financial challenges relating to the current economic climate and the risks that this presents to the Common Good Funds;
 - Approve the 2024/25 grants budget for Dunbar, Haddington, Musselburgh, and North Berwick as set out in Appendices 2a-2d, noting the context for future budget development;
 - Approve the Grounds Maintenance budgets within Musselburgh Common Good as set out in section 3.10 from financial year 2024/25 onwards; and
 - Note that a review of property maintenance requirements is ongoing, and that updates to the proposed budgets will be brought back to Council in June if the review presents a requirement for a material change to these budgets.

3 BACKGROUND

- 3.1 The Council's approved Standing Orders and Scheme of Administration states the following:
- Council will approve an annual budget for each of the Common Good Funds that will include provision for the maintenance of assets and any committed items of expenditure.

- Each Common Good Committee has authority to approve the following for the benefit of the community:
 - Award a grant of up to £10,000 where there is sufficient budget.
 - Approve revenue expenditure of up to £10,000 for the maintenance of the assets of the fund, if any individual award can be met within the overall approved budget.
- 3.2 Common Good investment income and funds should be used to maintain the Common Good asset base with any surplus funds being used to benefit the inhabitants of the area covered by the funds.

Budget Development

- 3.3 Council approved the Common Good budget for 2023/24 in June 2023. The budgets are updated annually, and take into consideration the following key components:
- a. Previous year review and updated fund balances.
 - b. Roll forward of indicative budgets, taking into consideration any updated assumptions relating to:
 - Projected expenditure commitments in particularly relating to ongoing repairs and maintenance of Common Good assets.
 - Projected income to the funds relating to rental income and investment income.
- 3.4 The funds have traditionally forecast to deliver a surplus, with levels of grants available to support the community set at a reasonable level to ensure the fund values could continue to meet current obligations and sustain a value of investment for future benefit.

2022/23 Financial Position

- 3.5 The accounts for 2022/23 were approved on 20 March 2024. The fund balances as at 31 March 2023 of all Common Good Funds including Cockenzie, Port Seton and Tranent remain aligned to the draft position reported to Council on 27 June 2023 and totals £13.133 million. Further detail is set out at **Appendix 1** of this report.
- 3.6 The fund balances also reflect the historic cost of Common Good property assets amounting to £3.977 million. This represents the proportion of the value of property assets which the Common Good funds may direct to achieve their objectives. As previously reported to members, some properties are inalienable and therefore their values cannot be realised through sale of assets.

Current Position and Risks

3.7 Council is aware that there remains a number of key risks within each of the Common Good funds and these are highlighted below:

- An enhanced asset management plan to support future revenue and capital investment requirements in Common Good assets/properties remains under review and will be informed by asset condition survey reports aligned to the wider asset review. These are expected to be available by summer 2024. These surveys will inform the ongoing and future capital investment requirements in order to maintain the assets held by each Common Good fund and will take into consideration the available resources which each fund holds. Common Good funds must first and foremost be used to support the ongoing maintenance of assets, and this may have a significant impact on future budgets.
- The fund is supported by significant levels of investment which remains subject to market conditions and remain subject to ongoing discussion with treasury investment advisers. The need to ensure the ongoing viability of the investment funds remains essential to ensure the long-term benefits of the Common Good investments.
- As previously reported to Council there remains significant and ongoing challenges associated with Brunton Hall due to the identification of structural issues related to the use of Reinforced Autoclaved Aerated Concrete (RAAC). Detailed surveys and options appraisal work remains ongoing, and the affordability of any solution will need to be part of the wider consideration in terms of key next steps.

2024/25 Budgets

3.8 Notwithstanding the wide range of ongoing risks and variables which may impact on future budgets, it remains important for Common Good Committees to have some certainty in approved budgets, including any available budgets to consider any grant applications during 2024/25.

3.9 Until there is clarity on some of these risks, it is recommended that Council approve a 2024/25 Common Good budget, which has been rolled forward from previous approved budget, and updated with the assumptions set out in the section below:

- Based on commentary from the appointed investment managers, and current forecast market conditions, there has been no assumption to reflect an investment return during 2024/25. This position will remain under close review during the financial year and remains a key area of risk.
- Future capital investment requirements will be taken into consideration once updated asset management information is available. Each Common Good fund holds a number of assets, many

of which require ongoing investment and maintenance.

- Grant levels for each of the Common Good funds remains consistent with those approved for 2023/24. These levels will remain subject to change given both investment and future asset management investment requirements.

3.10 As part of the ongoing review of Common Good budgets, it has been identified that there are significant costs incurred by grounds maintenance to support assets held by Musselburgh Common Good. As such it is recommended that these costs are recharged to the Common Good. This will enable the continued provision of this service by the Council on behalf of the Common Good. Officers will continue to review the wider costs to maintain Common good assets, and any changes will be brought back to Council as part of future budget deliberations.

3.11 Noting the points set out above, the draft budgets for 2024-2025 for each of the Common Good Funds are set out in **Appendix 2a-d** of this report for consideration and approval.

4 POLICY IMPLICATIONS

4.1 There are no direct policy implications associated with this report, although ongoing monitoring and reporting of the Council's financial performance is a key part of the approved Financial Strategy.

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 27 June 2023 – Item 5 Common Good Budgets 2023/24

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|----------------------|-----------------------------------------|
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| DATE | 5 April 2024 |

Appendix 1 - Common Good Fund Balances 2022/23 (signed off 20/3/24)

| Fund | 22/23 Fund Balance | Balance Related to Unrealised Fair Value Gains on Investments | 22/23 Fund balances (Excluding Investments fair value movements) | Historic Cost of Property Assets (PPE) | 22/23 Fund Balance (Excluding FV Investments and Historic Cost of PPE) |
|--------------------------------------------------------------|---------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------------------|
| <i>Balances at 31/03/2023 (audited financial statements)</i> | £'000 | £'000 | £'000 | £'000 | £'000 |
| Dunbar | 970 | 6 | 964 | 730 | 234 |
| Haddington | 820 | 15 | 805 | 208 | 597 |
| Musselburgh | 9,217 | 608 | 8,609 | 1,489 | 7,120 |
| North Berwick | 1,703 | 35 | 1,668 | 1,135 | 533 |
| TOTAL* | 12,710 | 664 | 12,046 | 3,562 | 8,484 |
| Cockenzie, Port Seton & Tranent | 423 | 0 | 423 | 415 | 8 |
| TOTAL COMMON GOOD FUND BALANCE | 13,133 | 664 | 12,469 | 3,977 | 8,492 |

*Fund balances may be subject to variation based on common good grants awarded since April.

Draft 23/24 Financial Statements are still to be prepared and Investec Reports should be received later in April 2024.

Appendix 2 – Summary – For information only as each Common Good is a separate entity

**Consolidated Common Good
Income & expenditure Budget**

| | Approved | Draft budgets |
|---------------------------------------------------------------------------------------|---------------------------|---------------------------------------|
| | Budget 2023/24 £000 | Indicative Budgets 2024/25 £000 |
| Expenditure | | |
| Premises - Repairs & Maintenance | 97 | 66 |
| Premises - Rates | 29 | 29 |
| Supplies & Services | 61 | 184 |
| Grants | 174 | 174 |
| Depreciation | 86 | 86 |
| Total Expenditure | 447 | 539 |
| Income | | |
| Rents & Other Income | -488 | -488 |
| Interest / Investment Income (inc realised gains and losses on sale of investments) * | -2 | -2 |
| Dividend income * | -83 | -83 |
| Total Income | -573 | -573 |
| Cost of Services | -126 | -34 |
| Net Surplus/Deficit for the year | -126 | -34 |
| Common Good Balance * | -12,710 | -12,836 |
| Accumulated Fund | -12,836 | -12,870 |

Appendix 2a

Dunbar Common Good Income & expenditure Budget

| | Approved | Draft budgets |
|---------------------------------------------------------------------------------------|---------------------------|---------------------------------------|
| | Budget 2023/24 £000 | Indicative Budgets 2024/25 £000 |
| Expenditure | | |
| Premises - Repairs & Maintenance | 20 | 10 |
| Premises - Rates | 0 | 0 |
| Supplies & Services | 4 | 4 |
| Grants | 4 | 4 |
| Depreciation | 30 | 30 |
| Total Expenditure | 58 | 48 |
| Income | | |
| Rents & Other Income | -19 | -19 |
| Interest / Investment Income (inc realised gains and losses on sale of investments) * | 0 | 0 |
| Dividend income * | -1 | -1 |
| Total Income | -20 | -20 |
| Cost of Services | 38 | 28 |
| Net Surplus/Deficit for the year | 38 | 28 |
| Common Good Balance * | -970 | -932 |
| Accumulated Fund | -932 | -904 |

* Excluding unrealised gains and losses on the fair value of investments

Appendix 2b

Haddington Common Good Income & expenditure Budget

| | Approved | Draft budgets |
|---------------------------------------------------------------------------------------|---------------------------|---------------------------------------|
| | Budget 2023/24 £000 | Indicative Budgets 2024/25 £000 |
| Expenditure | | |
| Premises - Repairs & Maintenance | 1 | 1 |
| Premises - Rates | 0 | 0 |
| Supplies & Services | 1 | 1 |
| Grants | 10 | 10 |
| Depreciation | 0 | 0 |
| Total Expenditure | 12 | 12 |
| Income | | |
| Rents & Other Income | -27 | -27 |
| Interest / Investment Income (inc realised gains and losses on sale of investments) * | 0 | 0 |
| Dividend income * | -2 | -2 |
| Total Income | -29 | -29 |
| Cost of Services | -17 | -17 |
| Net Surplus/Deficit for the year | -17 | -17 |
| Common Good Balance * | -820 | -837 |
| Accumulated Fund | -837 | -854 |

* Excluding unrealised gains and losses on the fair value of investments

Appendix 2c

Musselburgh Common Good Income & expenditure Budget

| | Approved | Draft budgets |
|---------------------------------------------------------------------------------------|---------------------------|---------------------------------------|
| | Budget 2023/24 £000 | Indicative Budgets 2024/25 £000 |
| Expenditure | | |
| Premises - Repairs & Maintenance | 45 | 45 |
| Premises - Rates | 24 | 24 |
| Supplies & Services | 52 | 175 |
| Grants | 150 | 150 |
| Depreciation | 51 | 51 |
| Total Expenditure | 322 | 445 |
| Income | | |
| Rents & Other Income | -404 | -404 |
| Interest / Investment Income (inc realised gains and losses on sale of investments) * | -2 | -2 |
| Dividend income * | -76 | -76 |
| Total Income | -482 | -482 |
| Cost of Services | -160 | -37 |
| Net Surplus/Deficit for the year | -160 | -37 |
| Common Good Balance * | -9,217 | -9,377 |
| Accumulated Fund | -9,377 | -9,414 |

* Excluding unrealised gains and losses on the fair value of investments

Appendix 2d

North Berwick Common Good Income & expenditure Budget

| | Approved | Draft budgets |
|---------------------------------------------------------------------------------------|---------------------------|---------------------------------------|
| | Budget 2023/24 £000 | Indicative Budgets 2024/25 £000 |
| Expenditure | | |
| Premises - Repairs & Maintenance | 31 | 10 |
| Premises - Rates | 5 | 5 |
| Supplies & Services | 4 | 4 |
| Grants | 10 | 10 |
| Depreciation | 5 | 5 |
| Total Expenditure | 55 | 34 |
| Income | | |
| Rents & Other Income | -38 | -38 |
| Interest / Investment Income (inc realised gains and losses on sale of investments) * | 0 | 0 |
| Dividend income * | -4 | -4 |
| Total Income | -42 | -42 |
| Cost of Services | 13 | -8 |
| Net Surplus/Deficit for the year | 13 | -8 |
| Common Good Balance * | -1,703 | -1,690 |
| Accumulated Fund | -1,690 | -1,698 |

* Excluding unrealised gains and losses on the fair value of investments