



Glasgow City Council

Finance Corporate and Trading Services Policy Development and Scrutiny Committee

Report by Executive Director of Financial Services

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**ITEM 5**

5th December 2007

## ACCOUNTING AND REPORTING FOR THE COMMON GOOD FUND

### Purpose of Report

To advise members of the current debate concerning the accounting for, and disclosure of, the Common Good Fund accounts.

### Recommendation

Members are invited to:

- note the contents of the report,
- instruct the Executive Director of Financial Services to keep the Committee informed of future developments.

Ward No(s):

Citywide:

Local member(s) advised: Yes  No

consulted: Yes  No

## **COMMON GOOD FUND**

### **1. Introduction**

- 1.1 This paper has been prepared to advise members of the current debate concerning the accounting for, and disclosure of, common good accounts.

### **2. Historic/Legal Context**

- 2.1 The earliest legislation that enacted the Common Good can be traced back to The Common Good Act 1491. At the turn of the eighteenth century Burghs met expenses from the revenues of their properties. Today the common good is seen as corporate property of the council and must be used for the benefit of the community in such a manner as the Council thinks proper. The main use of the Common Good Fund is in maintaining and improving the property forming the common good, in upholding the dignity of the city in, for example, civic hospitality and ceremonials, and in granting donations to public institutions and charities.
- 2.2 The Common Good Fund can be held in either property or investments. Property can become part of the Common Good in a number of different ways and property can likewise cease to be part of the Common Good Fund. The Council holds various properties which could be defined as forming part of the Common Good but which are primarily regarded by the Council as operational properties. This is because the maintenance and operational costs associated with these properties are paid for out of the Council's budget. Whether property forms part of the Common Good is only of significance to the Council if it decides that it wishes to consider disposing of (or "alienating") the property. Properties forming part of the Common Good are generally regarded as 'inalienable'. They cannot be disposed of unless the Court of Session or a Sheriff authorises their disposal. The Court of Session or a Sheriff may impose a condition requiring that the local authority shall provide in substitution for the land proposed to be disposed of other land to be used for the same purpose for which the former land was used.
- 2.3 In order to comply with legislation whenever a property is being disposed of, the title deeds are assessed to ensure that they do not fall within the Common Good Fund. Where they do these property sales are taken through the appropriate procedure as detailed above.

### **3. The Common Good in Glasgow**

- 3.1 It is clear that the responsibility for managing common good assets rests with local authorities as set out in the Local Authorities (Property Transfer) (Scotland) Order 1995 (SI 1995/2499) made under section 15 of the Local Government etc (Scotland) Act 1994.
- 3.2 In Glasgow the common good has primarily been used to fund the Council buffet and civic hospitality.
- 3.3 As at 31 March 2007 the value of the common good fund stood at £8.9 million. The main elements of the fund include:
- 3.4 Fixed assets valued at £2.4 million. The list of common good assets is based on historic records but has not included assets used for operational purposes by the Council. A list of Common Good Fund Assets as at 31 March 2007 is included in Appendix 1.

- 3.5 Long term investments are shown as the lower of cost or market value and as at 31 March 2007 were valued at £7.7 million. The market value of these investments as at 31 March 2007 was £9.8 million.

#### **4. Accounting Treatment**

- 4.1 In a recent consultation paper the Local Authority Scotland Accounts Advisory Committee (LASAAC) sought the views of local authority finance practitioners on proper accounting treatment for common good funds. Legal practitioners have also shown interest in this consultation paper and it has been the subject of discussion at the Society of Local Authority Lawyers and Administrators in Scotland (SOLAR). Members of SOLAR have been making representations through their authorities.
- 4.2 Three options were given; treat the common good as an entirely separate entity, subsume the common good into the local authority single entity accounts, or, show a separate disclosure of common good statements. The third option is effectively the status quo.
- 4.3 The treatment of the common good as a separate entity would require a separate audit certificate. This level of detail may not be required as historical background demonstrates that the common good and the local authority are inextricably linked.
- 4.4 Subsuming the common good into the local authority single entity accounts has certain advantages but would result in reduced disclosure of the fund. Public attention has been focused on the common good in recent times and any reduction in disclosure of the common good could be viewed as a regressive step.
- 4.5 Maintaining the status quo by showing separate disclosure of the common good statements would appear to be the most pragmatic option. However, the disclosure should be enhanced to provide the reader of local authority accounts with a fuller picture of how common good assets are used within the authority. Firstly, the authority should make known the basis for disclosing fixed assets as common good assets and, perhaps more importantly, for not disclosing them in the common good statements. In Glasgow City Council the statements would clearly state that assets owned by the common good but used for operational service delivery have been shown in the balance sheet of the Council. Secondly, the disclosure note should clearly state that common good assets have not been disposed of in whole or in part, or if they have, a list of those disposed of should be provided. This option has been supported in the return to LASAAC.

#### **5. Other Studies**

- 5.1 The Improvement Service and The Local Government and Transport Committee of the Scottish Parliament have also been considering the recording, use and disposal of Common Good assets and funds. Only when the outcome of the LASAAC consultation and the findings of the Improvement Service and the Parliamentary Committee are known will it be possible to determine the probable impact on Glasgow City Council. In practice any requirements regarding Common Good would be incorporated into recommended accounting practice, which the Council would automatically follow.

## **6. Recommendations**

### 6.1 Members are invited to:

- note the contents of the report,
- instruct the Executive Director of Financial Services to keep the Committee informed of future developments.

## Common Good Fund Assets As At 31 March 2007

Type of Property	Address	Valuation £
Range of Shops	53 - 67 Byres Road	1
Range of Shops	53 - 67 Byres Road	369,000
Range of Shops	4/6 Dowanhill St	1
Range of Shops	4/6 Dowanhill St	76,000
Range of Shops	174/182 Dumbarton Rd	1
Range of Shops	174/182 Dumbarton Rd	220,999
Range of Shops	407-439 Gt Western Rd	1
Range of Shops	407-439 Gt Western Rd	846,000
Range of Shops	33-37 Riverford Rd	1
Range of Shops	33-37 Riverford Rd	79,000
Range of Shops	254/290 Sauchiehall St	1
Range of Shops	254/290 Sauchiehall St	1
Citizens Theatre	119a-123 Gorbals St	1
Citizens Theatre	119a-123 Gorbals St	356,000
Active Recreation Space	1284 Dumbarton Rd	1
Active Recreation Space	1284 Dumbarton Rd	31,999
Community Facility	41/43 Nithsdale Dr	1
Community Facility	41/43 Nithsdale Dr	31,000
Developed Land	249/257 Sauchiehall St	1
Developed Land	249/257 Sauchiehall St	350,000
Undeveloped / Cleared Land	Humbie Farm, Mearnskirck	8,500
Undeveloped / Cleared Land	234 London Rd	32,000
Undeveloped / Cleared Land	120 Woodville St	2,100
		<b><u>2,402,609</u></b>

Note 1: All Land is valued at £1

Note 2 : All parkland is classified as Community Assets within the Council's Balance Sheet