

South Ayrshire Council

**Report by Director of Housing, Operations and Development
to Service and Partnerships Performance Panel
of 19 November 2024**

Subject: Common Good Fund Update

1. Purpose

1.1 The purpose of this report is to provide the Panel with an update on the Common Good funds for Ayr, Prestwick, Troon, Girvan and Maybole.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 notes the current financial position of Ayr Common Good Fund, Prestwick Common Good Fund, Troon Common Good Fund, Maybole Common Good Fund and Girvan Common Good Fund as highlighted in Appendix 1;

2.1.2 notes the long-term trend in Common Good Funds (Appendix 2); and

2.1.3 notes that, in response to 2.1.1 and 2.1.2, and as per Leadership Panel of 8 March 2022, Asset Management will submit a report to Council in December 2024 containing a long-term strategic review of all assets held within the Common Good Funds and proposals to place the Common Good Funds on a more sustainable footing in the medium to longer term.

3. Background

3.1 The Common Good Fund was inherited by South Ayrshire Council from Kyle and Carrick District Council following the 1996 local government re-organisation. The fund comprises five distinct sub-funds; Ayr, Troon, Prestwick, Maybole and Girvan. The Council controls 100 per cent of the fund and administers it for the interest and benefit of the people in the aforementioned areas.

3.2 Common good is property owned by a local authority which has been passed down, through local government reorganisation, from former burghs. Those burghs would have received it as a gift or purchased it. It includes land and buildings, and moveable items such as furniture and art. It may include cash where property has been sold and income received. Common Good property can also include land, buildings, and movable objects which were purchased as investment assets in order to provide a financial return to the Common Good Fund. It is also possible that, because of the historical, legal and documentary complexities of Common

Good that new properties are identified as having Common Good status as time goes by.

- 3.3 As such, Common Good property is often historic in nature, in prominent locations and a focus of community interest. The age of many properties adds cost and complexity in terms of maintenance and repair. The Common Good estate is varied in use and includes operational front line and back office, visitor attractions, open space, and non-operational historic properties.
- 3.4 The responsibility for management of Common Good Fund land and property assets falls within the remit of Housing, Operations and Development, under the Service Lead – Asset Management and Community Asset Transfer.
- 3.5 Statement of Objectives, Management Principles and Governance Arrangements for Common Goods Funds is attached at Appendix 3.
- 3.6 The strategic objectives for the Common Good Fund are:
- 3.6.1 deploy Common Good Fund assets and resources for the benefit and enrichment of the people of the area concerned;
 - 3.6.2 maximise income from Common Good Fund assets and resources to ensure the Financial sustainability of the Funds;
 - 3.6.3 where appropriate, use Common Good Fund assets and resources to finance strategic investment in specific Council priorities that have been agreed; and
 - 3.6.4 use surplus Common Good Fund revenue resources to support Council priorities, on the basis of criteria to be developed.
- 3.7 Under section 75(2) of the Local Government (Scotland) Act 1973 where a local authority wishes to appropriate or dispose of land forming part of the Common Good and in respect of that land a question arises as to the right of the authority to alienate the local authority may petition the Court for authority to appropriate or dispose of the land. In addition, any disposal or change of use will need to comply with the terms of section 104 of the Community Empowerment (Scotland) Act 2015. Section 104 of the 2015 Act requires a local authority to consult with the community when planning to dispose of a Common Good property. The local authority must publish details about the proposal and must also notify the Community Council and any community body known to have an interest in respect of the proposals. In deciding whether or not to proceed with the disposal or change of use of Common Good property the authority must have regard to representations received. Any disposal may generate a capital receipt, but may have an adverse impact on the revenue position through loss of rental income.
- 3.8 Common Good Fund land and property assets are generally recommended to 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.
- 3.9 The Council's Treasury Management and Investment Strategy 2024-2025, approved by Council on 6 March 2024, 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.

- 3.10 The 2023/24 Annual Accounts records the gross book value of non-current assets at 31 March 2024 in relation to all five Common Good Funds as £13.575m. The Common Good Funds at 31 March 2024 had total usable reserves of £0.554m revenue and £0.746m capital (see Appendix 1), all of which is invested in the Council's Loan Fund. A financial profile of each Common Good Fund is detailed in Appendix 1.
- 3.11 The long-term trend in Common Good fund capital and revenue reserves is detailed in Appendix 2.
- 3.12 The Management and maintenance of Common Good Fund land and buildings assets is subject to the level of funding which is available within each Common Good Fund. This poses issues for future maintenance costs of Common Good in relation to the amount of money available in each of the Common Good Funds. The Council is however, open to innovation in its development of management arrangements of Common Good Fund assets and resources.

4. Proposals

- 4.1 The Panel is asked to:
 - 4.1.1 note the annual and long-term performance of the respective Common Good Funds; and
 - 4.1.2 note that, in response to 2.1.1, 2.1.2 and 3.11, and as per Leadership Panel of 8 March 2022, Asset Management will submit a report to Council in December 2024 containing a long-term strategic review of all assets held within the Common Good Funds and proposals to place the Common Good Funds on a long-term sustainable footing.

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 Not applicable. This report does not propose any changes which would impact financially on the Common Good funds.

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 allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

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 Priority 1 of the Council Plan Spaces and Places.

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 Martin Kilbride, Portfolio Holder for Buildings, Housing and Environment, and the contents of this report reflect any feedback provided.

Background Papers **Report to Leadership Panel of 8 March 2022 - [Strategic Review of Assets held in the Common Good Funds](#)**

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Date: 7 November 2024

Common Good Funds

Table 1 - Objective Analysis

Period 9 Projected Variance Fav/(Adv) £'000	Common Good Fund	Full Year Budget 2023/24 £'000	Full Year Actual to 31 March 2024 £'000	Full Year Variance Fav/(Adv) £'000
(89)	Ayr Common Good Fund	0	(325)	325
2	Prestwick Common Good Fund	0	(10)	10
0	Troon Common Good Fund	0	(2)	2
0	Maybole Common Good Fund	0	0	0
0	Girvan Common Good Fund	0	0	0
(87)		0	(337)	337

Table 3 - Financial Variance Analysis

Full Year Variance favourable /(adverse) £'000	Common Good Fund
325	<p>Ayr Common Good Fund: A number of budget variances combined to result in a net favourable variance of £0.325m: Property costs : a full-year overspend of £0.212m, comprising repairs and maintenance (£0.167m, including £0.024m in respect of fire damage repairs at Ayr High Street (refer below) and £0.054m in respect of asbestos removal at Ayr Town Buildings), energy costs (£0.019m) and water and rates charges (£0.028m). Property cost budgets remain under pressure due to recent significant increases in the cost of repairs and maintenance. Administrative costs : a full-year overspend of £0.012m due to an increase in the cost of premiums. Income : a full-year over-recovery of £0.547m, comprising a full and final insurance settlement of £0.511m in relation to fire damage reinstatement at Ayr High Street (refer above). The reinstatement contract will begin during 2024/25, funded by contributions from the Council's capital programme (£0.800m) and from Ayr Common Good Fund's capital reserves (£0.500m - refer below). Over-recoveries of other income (£0.032m due to recharges of expenditure funded by David Elder Edwards Fund) and interest income (£0.016m as a result of sustained higher interest rates during the year) were partly offset by an under-recovery of £0.012m in property rental income.</p>
10	<p>Prestwick Common Good Fund: A favourable variance of £0.010m was due to interest income as a result of sustained higher interest rates during the year.</p>
2	<p>Troon Common Good Fund: A favourable variance of £0.002m was due to interest income as a result of sustained higher interest rates during the year.</p>
337	Total variance

Table 4 - Accumulated Revenue Reserves

Common Good Fund	Reserves as at 31 March 2023 £'000	Reserves as at 31 March 2024 £'000	
Ayr Common Good Fund	(65)	260	
Prestwick Common Good Fund	234	245	
Troon Common Good Fund	36	38	
Maybole Common Good Fund	2	2	
Girvan Common Good Fund	9	9	
Total	216	554	

Comments:

Ayr Common Good Fund: The revenue reserve has returned to a positive balance following receipt of the final insurance settlement in respect of Ayr High Street properties. However, recent significant increases in the cost of property repairs and maintenance, coupled with comparably static rental and other income will continue to put pressure on Ayr Common Good Fund budgets and reserves in future. A review of Common Good properties and an assessment of income generation opportunities will be brought before Members in due course, outlining options.

Table 5 - Accumulated Capital Reserves

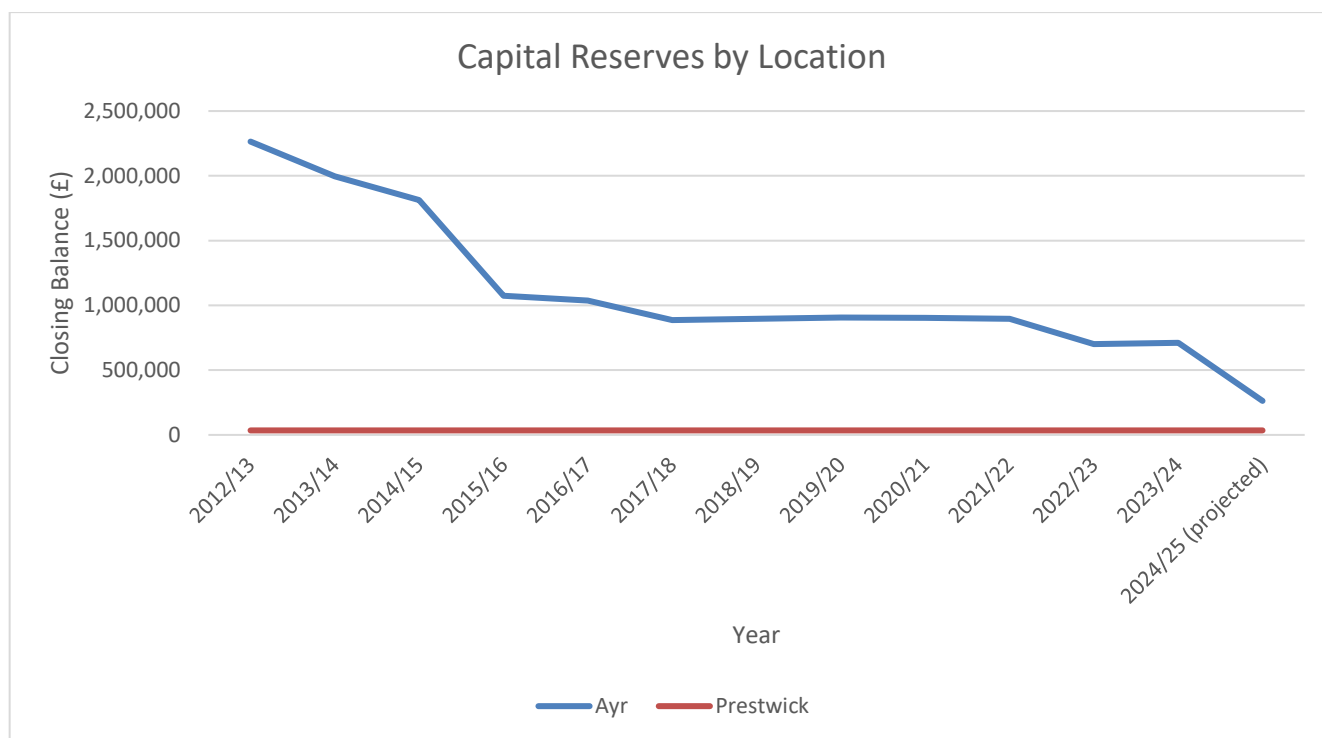
Common Good Fund	Reserves as at 31 March 2023 £'000	Reserves as at 31 March 2024 £'000	
Ayr Common Good Fund	701	711	
Prestwick Common Good Fund	35	35	
Total	736	746	

Comments:

Ayr Common Good Fund: The increase in capital reserves is due to a recurring annual contribution from Housing. A contribution of approximately £0.500m towards the restoration cost of fire-damaged properties at Ayr High Street is anticipated during 2024/25 (refer above).

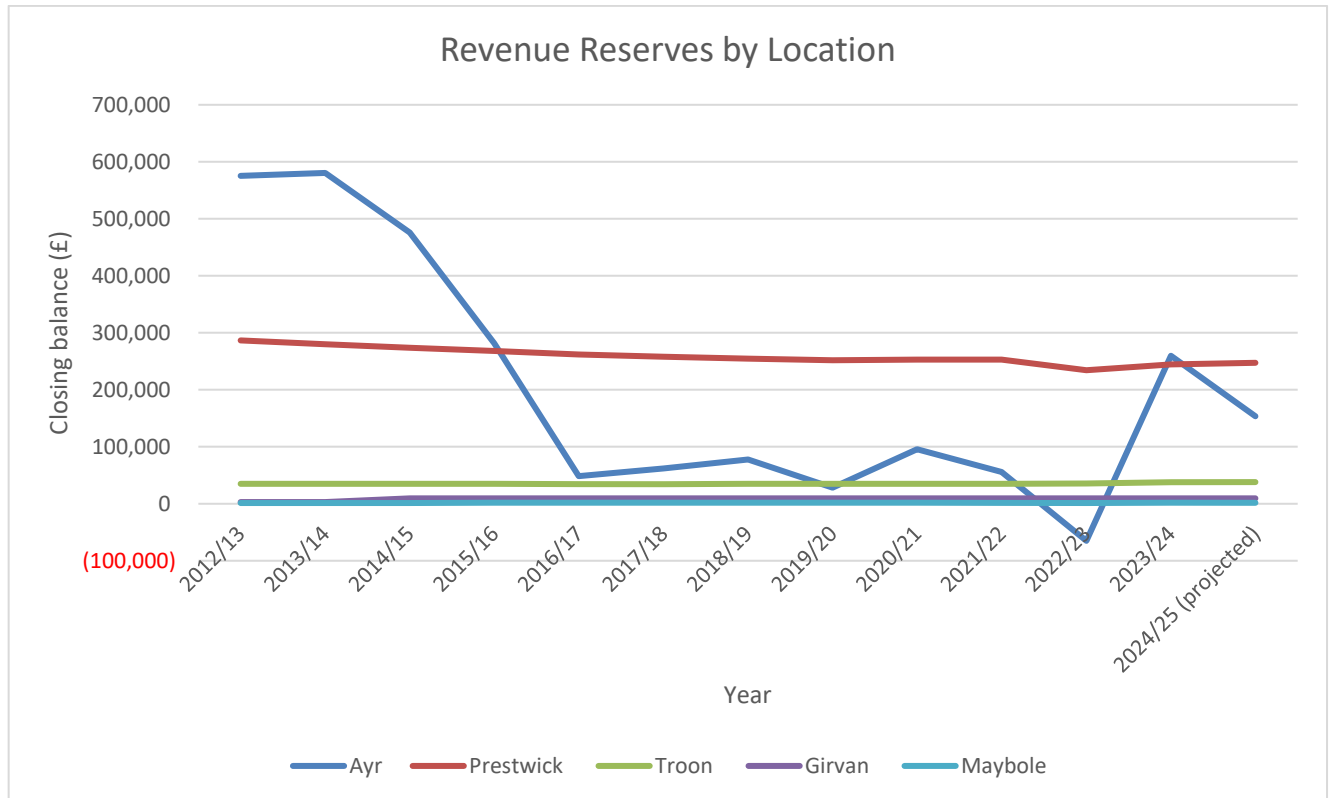
Common Good Fund Trends – Capital and Revenue by location

Capital Reserves



Capital Reserves		
Year	Ayr (£)	Prestwick (£)
2012/13	2,264,269	34,699
2013/14	1,996,872	34,699
2014/15	1,813,221	34,699
2015/16	1,074,385	34,699
2016/17	1,036,533	34,699
2017/18	885,305	34,699
2018/19	895,305	34,699
2019/20	905,305	34,699
2020/21	903,958	34,699
2021/22	897,448	34,699
2022/23	701,063	34,699
2023/24	711,063	34,699
2024/25 (projected)	262,619	34,699

Revenue Reserves



Revenue Reserves by Location					
Year	Ayr (£)	Prestwick (£)	Troon (£)	Girvan (£)	Maybole (£)
2012/13	575,157	286,601	34,757	2,984	1,543
2013/14	580,461	280,031	35,041	3,015	1,560
2014/15	475,693	273,583	35,222	9,490	1,573
2015/16	281,598	267,867	34,902	9,490	1,586
2016/17	48,674	262,075	34,512	9,490	1,597
2017/18	62,049	258,116	34,324	9,490	1,608
2018/19	77,462	254,571	34,872	9,490	1,624
2019/20	28,295	252,061	34,800	9,490	1,640
2020/21	95,687	253,161	34,835	9,490	1,651
2021/22	55,794	252,716	35,128	9,490	1,522
2022/23	(65,062)	234,309	35,779	9,490	1,549
2023/24	259,866	244,589	37,537	9,490	1,639
2024/25 (projected)	153,685	247,589	38,016	9,490	1,677

**South Ayrshire Council Management of Common Good Funds
Statement of Objectives, Management Principles and Governance Arrangements**

Objectives

1. Deploy Common Good Fund assets and resources for the benefit and enrichment of the people of the area concerned.
2. Maximise income from Common Good Fund assets to ensure the financial sustainability of the Funds.
3. Where appropriate, use Common Good Fund assets and resources to finance strategic investment in Council priorities that have been agreed as addressing (1) above in respect of the relevant area.

Principles

1. Property assets should be retained if the return from the rental exceeds that which could be achieved by investing the capital at a bank, or if the property is being held to support an adopted strategy. Assets can be disposed of, however, in order to finance strategic investment in support of agreed Council priorities, and on the basis of a detailed business case.
2. Potential commercial use of all investment assets should be maximised.
3. Assets should only be acquired if it can be clearly demonstrated that they will provide an acceptable level of return, or that they will contribute to Common Good Fund objectives.
4. Common Good Fund assets will be maintained. This is subject to the appropriate level of funding within each common good fund.
5. Common Good Fund assets will be suitable and sufficient for purpose.
6. Common Good Fund assets will comply with applicable legislation and regulation and will be safe and secure.
7. The Council will be open to innovation in its development and deployment of Common Good Fund assets and resources.
8. Income from Common Good Fund assets will be sustained at as high a level as possible.
9. Routine revenue expenditure will be minimised whilst also satisfying the need to comply with principles 4, 5, and 6 above.
10. The return on capital funds invested internally through the Council's Loans Fund and potentially through the active management of a proportion of the funds available by an external funds manager, will be maximised.

Governance

1. Decisions relating to the management of Common Good Funds within South Ayrshire will be made by the Cabinet, or the Council.
2. Consultation on use of Fund revenue surpluses, on acquisitions and disposals, and on specific Council priorities that should receive support, will be undertaken prior to such decisions being sought, with the results of such consultation being reported to Council/Leadership Panel for their consideration.
3. This consultation will be conducted with all members elected for all wards which cover the area of the Common Good Fund concerned.

Reports on the financial status, compliance with Common Good Fund objectives, principles and intended Asset Management outcomes will be reported within the Council's Land and Buildings Asset Management Plan and submitted to the Cabinet, or the Council for its consideration.