

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Finance and Resources
<b>DATE</b>	12 September 2024
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Common Good Budget Review
<b>REPORT NUMBER</b>	CORS/24/272
<b>EXECUTIVE DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Helen Sherrit
<b>TERMS OF REFERENCE</b>	1.1

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### 1. PURPOSE OF REPORT

- 1.1 The Council at the meeting on 6 March 2024 agreed to “instruct the Chief Officer - Finance to carry out a review of the Common Good budget, and the grant application criteria, and report to the Finance and Resources Committee by September 2024.” This report fulfils this recommendation.

### 2. RECOMMENDATIONS

That the Committee:-

- 2.1 Note the draft 2025/26 Common Good Budget detailed in Appendix 1; and
- 2.2 Approve the amended grant application criteria detailed in section 3.20.

### 3. CURRENT SITUATION

- 3.1 The Common Good stands separate from other accounts and funds of the Council and could is said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit, in accordance with the Common Good Act 1491 and the Local Government etc. (Scotland) Act 1994. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with cash balances usually being held on deposit with other local authorities, building societies and the Council’s Loans Fund.
- 3.2 The projected outturn for 2024/25 shows, based on spending to the end of Quarter 1, that the Common Good is forecast to be on budget as at 30 June 2024 Income levels are expected to be maintained and the budgeted income achieved with events proceeding as expected this year, and grants payable throughout the year to the wide range of approved organisations.

## Budget 2025/26

### Income

- 3.3 Today the asset portfolio comprises land, buildings and cash. The position at the start of the year (31 March 2024) is as follows:

	£'000
Land and Buildings	75,975
Investment in ACC Loans Fund	18,442
Long Term Investments	23,945
<b>Total Long-Term Assets</b>	<b>118,362</b>

- 3.4 The income generated from these assets is the basis of expenditure that can be incurred by the Common Good annually. The ground rents, lease income and cash investment returns generate in excess of £3 million per annum in income, which is used to fund a wide range of organisations and their activities in the City of Aberdeen, and this includes some activities undertaken by the Council itself. Further details are shown in Appendix 1.
- 3.5 Cash balances have increased in recent years due to the sale of land for development, and this can reduce annual income. The cash balances are generally set aside to help maintain annual income levels, through investment income, rather than being used to fund expenditure. A minimum cash balance recommendation is maintained for the Common Good.
- 3.6 In preparing the 2025/26 Common Good budget the assumption is that no additional one-off funding will be withdrawn from the assets it holds.
- 3.7 The investment of cash balances in a multi-asset income fund, approved by Council on 10 March 2021 has now been implemented. The value of the investment may fall as well as increase, this is reported quarterly. As at 30 June 2024 the value of the investments was £23.614m, an decrease in the quarter of £0.330m. Cash balances will be affected by this change as will the overall Net Value of the Common Good. The investment with Fidelity remains a long-term investment and should be measured over a 3-to-5-year period.
- 3.8 Rental income is received by the Common Good for predominantly ground rent and leases that are in place and is based on projections provided by the Chief Officer - Corporate Landlord. Appendix 1 shows that income is forecast to be stable for the Common Good in 2025/26.

### Expenditure

- 3.9 A significant proportion of the expenditure annually is on recurring activities and outcomes and therefore these recurring elements are a continuing feature in building the draft 2025/26 budget.
- 3.10 Appendix 1 provides a breakdown of the various categories of expenditure that have been included in the draft budget for 2025/26. The recurring nature of a

range of activities and outcomes, to support external organisations and the work of the Council is included in these.

- 3.11 As the assets of the Common Good include land and buildings, there are times when expenditure on those assets must be incurred. Continuing investment in its assets is included in the first section of Appendix 1, General Property and Estates, where the core costs of insurance and necessary repair and maintenance are included.
- 3.12 The recurring nature of many of the projects and activities that the Common Good funds means that assumptions have to be included about what their future cost might be. Note that the recurring funding provided by the Common Good is subject to an annual review. Appendix 1 has details of the impact of inflation based assumptions on pay and prices to provide an insight to the sustainability of the Common Good. An explanation of the various categories of spend has been detailed in Appendix 2.

### **Net Budget**

- 3.13 Appendix 1 shows that, taking account of the total income that it can reasonably expect, and an estimate of the recurring expenditure that must be met there is £0.257m available. Any balance has historically been used to support funding of a more one-off and discretionary nature this does not impact on the cash balances.

### **Non-recurring/discretionary spending**

- 3.14 In 2019/20 Budget ACC approved a new process for accepting applications this has been used to provide specific application conditions and timescales. It has provided the opportunity to assess the applications in a more consistent and collective basis, rather than simply responding to ad hoc approaches. The aim of the process is to make it equitable and transparent, enabling closer links to the Local Outcomes Improvement Plan.
- 3.15 In recent years the Council has taken the decision to reduce the funding awarded to external organisations who have submitted applications and use the balance available detailed in 3.13 to support Council Services.
- 3.16 The table below details the number of applications received over the last 6 financial years by ACC and those which were successfully awarded funding, in 2024/25 only 21% of the total applications were successful.

<b>Year</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
No of Applications	20	37	44	28	24	28
No of Successful Applications	13	15	21	19	7	6

- 3.17 It should be noted that there is an internal staffing resources required in the Common Good application process. Finance receive the initial application this is logged and checked to ensure all the required paper work has been submitted, emailing back to the applicant if there are any gaps and to confirm receipt of the application. The application along with all the paperwork is

submitted to legal who then ensure that the application meets Common Good criteria, this can involve further correspondence with the applicant if details on the project are unclear or incomplete. If the application meets the criteria Finance review and score each application and this information is then added to the Common Good report. These are resources which are under pressure due to the need to achieve savings.

3.18 Below are the potential options to take the application process forward.

3.19 The first option is for the Council to stop the annual application process from external organisations as the funding amount available is reducing year on year with the existing commitments to Council Services potentially £2.5m in 2025/26 as detailed below.

	<b>2025/26</b>
	<b>Budget</b>
	<b>£'000</b>
Maintenance in Parks & Shrubs inc Union Terr Gdns	1,562
Archivist Unit	305
Civic Support	231
Central Support Services	456
<b>Council Services</b>	<b>2,554</b>

Instead allow the existing balance to be utilised to support existing Council Services that benefit communities in Aberdeen City which are at risk due to budget savings.

3.20 The second option would be to make changes to the criteria, this would be limiting each individual application to a maximum of £50,000, prevent organisations from applying if they have received funding in the previous financial year or if they are currently receiving funding from the council, limiting the available balance to 50% of the surplus available and preventing Council Services from applying. This potentially would reduce the number of applications and the expectations of external organisations and would only apply to the nonrecurring funding element of the budget.

3.21 The benefits of continuing with the application process is that it provides external organisations the opportunity to obtain funding for specific projects which benefit the communities in Aberdeen City and are only affordable with additional funding. These projects must support the Local Outcome Improvement Plan (LOIP).

#### **4. FINANCIAL IMPLICATIONS**

4.1 The report outlines proposals for the Common Good budget for the financial year 2025/26 and options for the Common Good application process. The maximum sum for applications is based on previous approvals and applications.

## 5. LEGAL IMPLICATIONS

5.1 Section 15(4)(b) of the Local Government etc. (Scotland) Act 1994 requires the Council to “have regard to the interests of all the inhabitants of their areas” when administering common good property. Therefore, the following two basic principles are followed in determining the appropriate use of the Common Good fund:

- (1) That the Common Good must be applied for the benefit of the community; and
- (2) That the Council must in each case use reasonable judgement in allocating Common Good funding.

## 6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

## 7. RISK

7.1 The assessment of risk contained within the table below is considered to be consistent with the Council’s Risk Appetite.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	Use of the Common Good not achieving intended strategic objectives.	When funding is requested from the Common Good legal review to ensure it is compliant with the criteria, and new applications for one-off funding are further assessed against the LOIP stretch outcome criteria.	L	Yes
<b>Compliance</b>	Non-compliance with Common Good criteria	Legal review process.	L	Yes

<b>Operational</b>	Grants paid to third party organisations may be lost and benefits not achieved if organisations fail to remain operational.	Review process for preparing the budget and ongoing contact with the organisations.	L	<b>Yes</b>
<b>Financial</b>	The Common Good funds provide support to a range of services and projects both internal and external to the Council. If funding was not provided there may be a risk that services and projects would no longer be delivered or would become unsustainable.	<p>A financial assessment process is included in the application process.</p> <p>Council is robust and equitable.</p> <p>The Common Good has an investment strategy for the cash balances it holds and this should be reviewed on a regular basis, included in this report.</p> <p>A robust procurement process to appoint a suitable Fund Manager and regular performance review and monitoring of investments.</p>	M	<b>Yes</b>
<b>Reputational</b>	There is a risk that the reputation of the Council will be adversely affected by changes to projects and services that currently receive funding.	These are minimised by the having a robust and objective application process that enhances the Council's reputation as a fair and equitable funder of services and projects.	L	<b>Yes</b>

<b>Environment / Climate</b>	None Identified			
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## 8. OUTCOMES

<b>Council Delivery Plan 2024</b>	
<b>Impact of Report</b>	
<b>Aberdeen City Council Policy Statement</b>  <a href="#"><u>Working in Partnership for Aberdeen</u></a>	<p>The Council's commissioning cycle specifically joins the allocation of resources, through the approval of the budget, with the intention to deliver on the Local Outcome Improvement Plan (LOIP). The process of evaluation of applications for Common Good Funding specifically asked for details of how the LOIP stretch outcomes would be addressed and therefore the distribution options available to the Council cover all 15 outcomes to a greater or lesser extent.</p>
<a href="#"><u>Local Outcome Improvement Plan</u></a>	
Prosperous Economy Stretch Outcomes	No Impact
Prosperous People Stretch Outcomes	No Impact
Prosperous Place Stretch Outcomes	No Impact
<b>Regional and City Strategies</b>	The Common Good provides a sustainable funding source or a range of initiatives described in the Delivery Plan.

## 9. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Integrated Impact Assessment</b>	New Integrated Impact Assessment has been completed
<b>Data Protection Impact Assessment</b>	Not required.
<b>Other</b>	Not required.

## 10. BACKGROUND PAPERS

10.1 Common Good Budget 2024/25, Council, 6<sup>th</sup> March 2024

10.2 Council Financial Performance – Quarter 1 2024/25, Finance and Resources  
7<sup>th</sup> August 2024

## 11. APPENDICES

Appendix 1 Common Good Fund Budget 2025/26

Appendix 2 Notes to accompany the Common Good Budget 2025/26

## 12. REPORT AUTHOR CONTACT DETAILS

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## Appendix 1

<b>Common Good Fund Budget</b>		<b>2024/25</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
		<b>Budget</b>	<b>Outurn</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
<b>Note</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>General Properties/Estates</u></b>								
1	Insurance Costs	18	18	18	19	19	20	20
2	Repairs and Maintenance	185	185	189	193	197	201	205
		<b>203</b>	<b>203</b>	<b>207</b>	<b>212</b>	<b>216</b>	<b>220</b>	<b>225</b>
<b><u>Grants &amp; Contributions to External Organisations</u></b>								
3	Aberdeen Citizen's Advice Bureau	337	337	337	337	337	337	337
4	Contributions to Trusts & Festivals							
	- Aberdeen Performing Arts funding which includes the festivals eg Granite Noir	175	175	175	175	175	175	175
	- Peacock Visual Arts	35	35	35	35	35	35	35
	Aberdeen Performing Arts	711	711	711	711	711	711	711
5	Aberdeen Performing Arts Contribution - Stage 1 Agreement	75	75	75	75	75	75	75
6	Castlegate Arts	70	70	70	70	70	70	70
		<b>1,403</b>	<b>1,403</b>	<b>1,403</b>	<b>1,403</b>	<b>1,403</b>	<b>1,403</b>	<b>1,403</b>
<b><u>External Organisations Rents</u></b>								
7	Castlegate Arts Rent	8	8	8	8	8	8	8
	Lemon Tree Rent	36	36	36	36	36	36	36
	Lemon Tree Office Rental	10	10	10	10	10	10	10
	Charity Shop	15	15	15	15	15	15	15
	Aberdeen Science Centre	42	42	0	0	0	0	0
		<b>111</b>	<b>111</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>
<b><u>Promoting Aberdeen</u></b>								
8	Events							
	- Armed Forces Day	13	13	13	13	13	13	13
	- Celebrate Aberdeen	11	11	11	11	11	11	11
	- Fireworks	49	49	49	49	49	49	49
	Highland Games	110	110	110	110	110	110	110
	Site & Equipment Hire	10	10	10	10	10	10	10
	Christmas & Hogmanay Celebrations							
	- Christmas Village	150	150	150	150	150	150	150
	- Sculpture Trail Storage	5	5	5	5	5	5	5
	- Stravanger Christmas Tree	3	3	3	3	3	3	3
	- Nativity	3	3	3	3	3	3	3
	Christmas Illuminations and Festivals	96	96	96	96	96	96	96
	Nuart	125	125	125	125	125	125	125
	Provision for Parades & Marches	35	35	35	35	35	35	35
		<b>610</b>	<b>610</b>	<b>610</b>	<b>610</b>	<b>610</b>	<b>610</b>	<b>610</b>
<b><u>Grants/Services Provided by Aberdeen City Council</u></b>								
9	Youth Activities Small Grant Funding	50	50	50	50	50	50	50
	Community Galas	10	10	10	10	10	10	10
	Festive Community Grants	25	25	25	25	25	25	25
	Maintenance in Parks & Shrubs inc Union Terr Gdns	1,562	1,562	1,562	1,562	1,562	1,562	1,562
		<b>1,647</b>	<b>1,647</b>	<b>1,647</b>	<b>1,647</b>	<b>1,647</b>	<b>1,647</b>	<b>1,647</b>
<b><u>Civic Service Funding</u></b>								
10	St Nicholas Carillon	6	6	6	6	6	6	6
	Armistice Day Expenses	9	9	9	9	9	9	9
	Fund Public Clocks	10	10	10	10	10	10	10
	Civic Support	224	224	231	235	240	245	250
	Civic Support to Burgesses	10	10	10	10	10	10	10
	Civic Receptions	75	75	75	75	75	75	75
	Civic Hospitality - visitors	6	6	6	6	6	6	6
	Civic Hospitality - promoting	1	1	1	1	1	1	1
	Archivist Unit	296	296	305	311	317	324	330
	Central Support Services	443	443	456	465	475	484	494
	Civic Gift Fund	3	3	3	3	3	3	3
	Lord Provost & Lord Lieutenant Travel	5	5	5	5	5	5	5
	Lord Lieutenancy and other duties	4	4	4	4	4	4	4
	Lord Provost Portrait	10	10	0	0	10	0	0
		<b>1,102</b>	<b>1,102</b>	<b>1,120</b>	<b>1,140</b>	<b>1,171</b>	<b>1,181</b>	<b>1,202</b>

		2024/25	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
		Budget	Outturn	Budget	Budget	Budget	Budget	Budget
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>Duthie Park HLF</b>							
11	Duthie Park Capital Charges	56	56	56	56	56	56	56
	<b>Recurring Expenditure</b>	<b>5,132</b>	<b>5,132</b>	<b>5,113</b>	<b>5,137</b>	<b>5,171</b>	<b>5,186</b>	<b>5,212</b>
12	<b>Specific Projects</b>							
	Aberdeen Street Pastors	15	15	0	0	0	0	0
	Aberdeen Multicultural Centre - Mela	22	22	0	0	0	0	0
	Belmont	50	50	0	0	0	0	0
	Winter Clothing	100	100	0	0	0	0	0
	Denis Law Trail	50	50	0	0	0	0	0
	Aberdeen City Heritage	1	1	0	0	0	0	0
	<b>Specific Projects</b>	<b>238</b>	<b>238</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Non Recurring Expenditure</b>	<b>238</b>	<b>238</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total Expenditure</b>	<b>5,370</b>	<b>5,370</b>	<b>5,113</b>	<b>5,137</b>	<b>5,171</b>	<b>5,186</b>	<b>5,212</b>
13	Income from Properties and Estates	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)
14	Interest on Invested Funds	(1,550)	(1,550)	(1,550)	(1,550)	(1,550)	(1,550)	(1,550)
15	Interest on Reserve Funds	(500)	(500)	(500)	(500)	(500)	(500)	(500)
16	Lands of Skene/Torry (Share of Surplus)	(70)	(70)	(70)	(70)	(70)	(70)	(70)
17	Growth/Impairment on Invested Funds	0	330	0	0	0	0	0
	<b>ORDINARY INCOME</b>	<b>(5,370)</b>	<b>(5,040)</b>	<b>(5,370)</b>	<b>(5,370)</b>	<b>(5,370)</b>	<b>(5,370)</b>	<b>(5,370)</b>
	<b>Net (Surplus)/Deficit</b>	<b>0</b>	<b>330</b>	<b>(257)</b>	<b>(233)</b>	<b>(199)</b>	<b>(184)</b>	<b>(158)</b>

## Appendix 2

### Budget Notes for 2025/26

#### Note 1

This budget is used to insure properties owned by the Common Good.

#### Note 2

This is a budget for repairs and maintenance costs for properties owned by the Common Good to meet legislative standards.

#### Note 3

This represents the current contribution towards the core funding for Aberdeen Citizen's Advice Bureau.

#### Note 4

This is a contribution towards the costs of Aberdeen Performing Arts (£225,000), and the core funding of (£711,000) and Peacock Visual Arts (£35,000).

#### Note 5

This provides match funding for Aberdeen Performing Arts in relation to a grant awarded by Creative Scotland towards the costs of programming at His Majesty's Theatre.

#### Note 7

This represents contribution to core funding for Castlegate Arts.

#### Note 8

This is a grant to cover the cost of rental of various premises from Aberdeen City Council for external organisations.

#### Note 8

This is funding towards the costs of organising specific events as detailed in the events programme that promote the City as a visitor destination.

#### Note 9

This funding is for the provision of grants and services administered by the City Council.

#### Note 10

This is funding for the Civic Services that support the Civic functions within the City Council and services to the citizens of Aberdeen.

This includes grant funding to support the Lord Dean and the Burgesses of Guild.

#### Note 11

This is a budget for the servicing of the capital debt for the upgrade to Duthie Park.

#### Note 12

These items are one-off items approved by Council for expenditure in 2023/24.

Note 13

Around 100 properties have registerable leases on land owned by the Common Good. In addition to this, the Common Good owns land at Brimmond Hill, Hazlehead, Hilton, Hillhead of Pitfodells, Kincorth, Kepplehills, Tullos and Mastrick, all of which generate income for the Common Good and which is reflected in this budget.

Note 14

This is a budget for income received on invested funds based on the income received to date in 2023/24 from the Multi Asset Income Fund.

Note 15

This is a budget for income for interest on reserve funds.

Note 16

The Common Good receives 51% of the Lands of Torry Trust and 30% of the Lands of Skene Trust income. These trusts earn income in rents and interest from investment.

Note 17

This is the current year outturn in Q1 for the reduction or growth on the £30million that has been invested.