

The Highland Council

19 December 2013

Agenda Item	19
Report No	HC/47/13

Highland Common Good Funds – Policy, Management and Reporting

Report by the Corporate Manager

Summary

The purpose of this report is to:

- update Members on progress with implementation of Common Good Fund policy and associated actions;
- identify gaps and inconsistencies between the management of different Common Good Funds;
- propose a route towards future management of Common Good Funds; and
- develop a consistent reporting template for future reports.

1. Background

- 1.1 Members will recall that a report entitled “Common Good Fund – Policy and Information” was presented by the Corporate Manager INBS to Resources Committee on 10 June 2009. The report can be viewed at: <http://www.highland.gov.uk/NR/rdonlyres/C032C611-86F9-496A-8325-C27B1052E34B/0/Item21RES8009.pdf>
- 1.2 The report outlined actions required to improve and standardise the management of Common Good Funds, in response to a report from Internal Audit. The actions included the following:
- Mapping of non-moveable assets (land and buildings);
 - Common Good governance arrangements;
 - Common Good Asset Register;
 - Scheme of Delegation – Common Good expenditure;
 - Applying for Common Good Funds;
 - Ensuring Common Good Funds are used for the common good;
 - Evidence of Value for Money being achieved;
 - Schedule of Common Good income;
 - Common Good Fund monitoring and reporting arrangements;
 - Assurance that Common Good assets actually exist and are being safeguarded;
 - Payments from Common Good Funds made through the Oracle Finance System;
 - Training; and
 - Administration of the Common Good.

Against each of these areas, specific actions were proposed and agreed by Resources Committee. A subsequent report entitled “Common Good Fund – Update on Policy and Information” was presented by the Corporate Manager INBS to Resources Committee on December 2009 updating Members on progress with the actions. The report can be viewed at: <http://www.highland.gov.uk/NR/rdonlyres/8B2C9995-5284-42B1-91E0-7656C654965A/0/Item17RES16509.pdf>

1.3 Section 2 of this report provides a further update to Members. Section 3 includes proposals for further action required.

2. Progress to Date

2.1 Mapping of non-moveable assets (land and buildings)

The mapping exercise was completed in 2010. To the best of our knowledge, all Common Good Fund land and buildings are included and identified as Common Good on the Housing and Property Services (H&P) Property Information System maps and property list.

2.2 Common Good Fund governance arrangements

Policy determining the governance of Common Good Funds was approved on 20 June 2009 at Resources Committee and continues to be implemented. However, with the introduction of Area Committees, some Common Good Fund decisions are currently delegated to Area Committees. Amendments to the governance arrangements are proposed in Section 3.2.

Furthermore, changes made in Aug 2012 to the arrangements in Inverness mean that Common Good decisions for grant applications up to and including £10,000 are made by the Inverness Common Good Fund Grants sub-committee (which replaced the Donations Working Group). The sub-committee also makes recommendations for decision by the City of Inverness Area Committee for grant applications of £10,000 to £30,000. Grant applications for more than £30,000 are decided directly by the City of Inverness Area Committee. These arrangements are compatible with the proposed amendments to the Scheme of Delegation outlined in Section 3.2 of this report.

2.3 Comprehensive Common Good Fund Asset Register

In addition to the list of Common Good land and buildings maintained by H&P, Finance Service, to the best of our knowledge, holds a register of all Common Good assets (including land and buildings and moveable assets, such as paintings and regalia). This is used as the basis for valuing the Fixed Assets on the Balance Sheet in the Annual Accounts of each Common Good Fund. Most of the ownership issues identified in 2009 have been resolved. There remain a small number of discrepancies between the H&P list of land and buildings and the Finance Service Asset Register. Work to ensure that both registers are up to date and accurate as possible is ongoing, with input in

particular from Ward Managers.

2.4 **Scheme of Delegation – Common Good Fund expenditure**

Common Good Fund expenditure continues to be made in line with Highland Council's Scheme of Delegation (5 Sept 2013) which, under Part I – Powers Reserved to The Highland Council, reserves the following power to Highland Council:

“1.20 To act as Trustee for Common Good Funds and Associated Funds in relation to determining and delivering investment policy, including the purchase and disposal of trust assets, subject to the administration of these funds being delegated to City/Area Committees or to Officers in terms of this Scheme.”

The Scheme of Delegation also delegates powers to Finance, Housing and Resources Committee, Area Committees and the Corporate Manager. Amendments to the Scheme of Delegation are proposed in Section 3.2 of this report.

2.5 **Applying for Common Good Funds**

Applicants for grants from Common Good Funds use the standard Highland Council Grant and Discretionary Funding form. The approval of grant applications is made in accordance with Policy: in Inverness, decisions are made by Inverness Common Good Fund Grants sub-committee (for grants up to a value of £10,000) and the City Committee (see 2.2 above). Outwith Inverness, the funding decisions (for grants up to a value of £10,000) are made in consultation with the relevant Community Council(s) and local Elected Members at Ward Business Meetings. Grant applications of more than £10,000 are decided by Finance, Housing and Resources Committee. It is proposed in Section 3.2 that decisions on all Common Good grant applications for more than £10,000 are made at City/Area Committees.

2.6 **Ensuring Common Good Funds are used for the Common Good**

As reported to Resources Committee in Dec 2009, Terms and Conditions and Publicity guidelines have been developed and continue to be used.

The Terms and Conditions can be viewed at:

<http://www.highland.gov.uk/livinghere/communitiesandorganisations/voluntaryorganisations/fundingandassistance/commongoodfund.htm>

The Publicity Guidelines can be viewed at:

<http://www.highland.gov.uk/livinghere/communitiesandorganisations/voluntaryorganisations/fundingandassistance/commongoodfund.htm>

In line with Council grant making procedures, a standard format letter has been developed that is used for Common Good Fund grants and sent to all applicants with a copy of the Terms and Conditions and Publicity Guidelines.

2.7 Evidence of Value for Money

Highland Council Financial Regulations are applied to all Common Good Fund transactions, including procurement by organisations receiving grants and including valuations (land sales, leases etc.), ensuring that value for money is achieved.

2.8 Schedule for Common Good Income

Ward Managers confirm that HC invoicing is used for all Common Good income. This ensures that HC debt collection policies and procedures apply. A central Schedule of Common Good Fund income has now been completed ensuring that all income is received and invoices are raised in a timely fashion.

There is a mixed approach to the issuing of invoices. Inverness rent collection is managed through HC Industrial and Investment Property Section who organise the raising of invoices, and charge an annual fee to Inverness Common Good Fund. Outwith Inverness, Common Goods Funds tend to rely on Ward Managers to ensure local staff raise invoices when they become due; although there are instances where Services invoice directly on behalf of Common Good Funds, for example H&P invoice tenants in Tain and Invergordon.

2.9 Common Good Fund monitoring and reporting arrangements

The officer responsible for each Common Good Fund receives monthly Detailed Transaction Reports (DTRs) from Finance, enabling regular monitoring of Common Good income and expenditure.

The June 2009 report proposes that an Annual Common Good Financial Report is taken to Audit and Scrutiny Committee for monitoring purposes. Now that Area Committees cover the whole of Highland, it is proposed that reporting arrangements are amended so that monitoring and annual reporting is to the relevant Area Committee (see Section 3.4 below).

2.10 Assurance that Common Good assets actually exist and are being safeguarded.

The Council's Insurance policy provides blanket coverage (subject to an excess of £5,000), and requires that new acquisitions with a value greater than £25,000 are individually listed on the Insurance database. The database now has a comprehensive list of all movable assets (including Common Good assets) and work to value the most valuable items is ongoing.

2.11 Training sessions

Members, Ward Managers and the relevant Community Councils have been fully briefed and trained on Common Good Policy and Procedures. Members elected in 2012 will not have benefited from this training, but this can be

provided by Ward Managers as required.
2.12 **Administration of the Common Good**

As proposed in June 2009, the Common Good continues to be administered by Chief Executive's Service through the Ward Management team, with investment and accounting provided by Finance.

Other services also support the administration of the Common Good. H&P assist with the maintenance of the Common Good land and buildings, particularly in Inverness where a formalised management service is offered by H&P. Outwith Inverness the non-Finance service support is on an "as required" basis.

3. Proposals for Further Actions Required

3.1 Outstanding Requirements

Common Good Funds across Highland differ in scale and complexity. Inverness Common Good Fund, with a large portfolio of investments and properties, requires a high level of active management drawing in a range of professional advice and support. Outwith Inverness, Common Good Funds are smaller in scale and less complex and, whilst specialist advice and support is required, it is on an "as required" basis. A further consideration is the ability of smaller Common Good Funds to meet service charges, should a service similar to that of Inverness be provided.

This section identifies three areas where further action and clarification are required:

- Governance arrangements;
- Management (including budgets, income and assets); and
- Reporting.

3.2 Governance

As outlined in Section 2.4 the roles and responsibilities for Common Good are defined in the Highland Council Scheme of Delegation. However, to clarify the roles and responsibilities of City/Area Committees and Corporate Manager the following amendments to the scheme of delegation are proposed:

Part III – Functions Referred/Powers and Duties Delegated

City/Area Committees

Amend wording as follows:

Para 2.15 –

Current version – To administer Common Good Funds and the property assets owned by the Common Good Funds and local trusts (as required and within agreed Council policy).

Proposed version – To approve Common Good Fund and local authority trust costs and grant applications in excess of £10,000. (For the avoidance of doubt, all Common Good asset acquisitions and disposals are to be considered by Highland Council.)

Part IV – Powers Delegated to Officers

Chief Executives Office – Non-statutory Powers

Legal and Democratic Services

Delegated to Corporate Manager

Amend wording as follows:

Current Version – To administer local authority trusts and common good funds specific to the operational management area up to a maximum of £10,000 per application following consultation with relevant Ward Members and where not otherwise dealt with by City/Area Committees. Applications in excess of £10,000 to be considered by the Finance, Housing & Resources Committee.

Proposed version – To approve grant applications to Common Good Funds and local authority trusts to a maximum of £10,000 per application, following consultation with relevant Ward Members (in Inverness – with a minimum of three Members of the Common Good Fund Grants Sub-committee). To approve costs charged to Common Good Funds and local authority trusts to a maximum of £10,000. (For the avoidance of doubt, grant applications and costs in excess of £10,000 are to be considered by the relevant City/Area Committee. All Common Good asset acquisitions and disposals are to be considered by Highland Council.)

3.3 Management

Notwithstanding Common Good grant making, which is managed in line with Council policy (as outlined above in Section 2), the management approach to Highland Common Good Funds falls into two categories, depending on the scale and complexity of each Common Good Fund.

3.3.1 Inverness

Inverness Common Good Fund is managed by Inverness City Manager on behalf of the Chief Executive's Service as "owning Service" with support provided by other Council Services (in particular H&P, which manages the Inverness Common Good property estate; and Finance, which organises and provides support for budget setting, monitoring and reporting). Finance also ensures insurance cover to Common Good assets alongside assets belonging to Highland Council. Both Services charge Inverness Common Good Fund for the support they provide. The level of service support reflects the complexity and scale of Inverness Common Good.

3.3.2 Outwith Inverness

Outwith Inverness, Common Good Fund management is led by the relevant Ward Manager. Finance Service provides support through DTRs, invoicing for rents (Business Support) and insurance cover. Apart from a handful of historic anomalies, all other Service support, including property management and maintenance, is provided (and charged for) on demand.

To enable monitoring of Common Good expenditure it is proposed that the relevant Ward Manager, in consultation with Members of the relevant Ward, sets an Annual Budget for each Common Good Fund. This will form the basis for monitoring reports to Area Committees (see Section 3.4 below).

In order to ensure that all income is collected, it is proposed that Finance Service centrally invoices for all Common Good Fund rents (outwith Inverness) using the Schedule for Common Good Income (see section 2.8). It is not anticipated that there would be any additional charge to each Common Good Fund for this service as Finance staff (Business Support) already raise Common Good Fund invoices.

It is also proposed that H&P monitors the property/ income schedule for Common Good Funds outwith Inverness and ensures that rent reviews are carried out on time. It is anticipated that H&P would charge for the work associated with rent reviews, but not for the maintenance and monitoring of the property schedule as the work required is likely to be minimal.

- 3.3.4 Otherwise, it is proposed that the arrangements both in and outwith Inverness continue largely as at present. There are a number of examples of good practice in Inverness and elsewhere which could be adopted as standard across all Common Good Funds, including budgeting, regular review of property maintenance and repair requirements and a proactive approach to income earning opportunities. Specialist property and legal service would be charged as required as per current practice. Reporting, as outlined in section 3.4 below, is key to the success of this approach.

3.4 **Reporting**

- 3.4.1 As Area Committees are established across Highland, it is proposed that each Common Good Fund will be required to present financial monitoring reports to the relevant Area Committee. Additionally, an Annual Report accompanying the Annual Accounts will be presented to Area Committees, including the following items:
- Annual Accounts;
 - Details of grants made;
 - Budget for the following Financial Year (as agreed with relevant Ward Members);
 - Changes to leases (rent reviews, new leases, expired leases etc.);
 - Any disposals or acquisitions made during the Year (N.B. Disposals and acquisitions have to be approved by full Highland Council);

- Property update – maintenance/ repairs required and any anticipated significant property costs or repair requirements – including trees, bridge repairs, or any repairs etc. required to assets (e.g. paintings etc.);
- Any opportunity to earn new income or improve land or buildings; and
- Any other issues to bring to Members attention.

3.4.2 Inverness Common Good Fund current reporting arrangements are being updated with the support of Finance Service. Inverness reporting already covers the issues outlined in the above template.

4. Implications

4.1 There are no known Resource, Legal, Equalities, Climate Change, Carbon Clever or other Risk implications

Recommendation

Members are invited to:

- note the progress on actions proposed to Resources Committee in 2009;
- note the different scale and complexity of Inverness Common Good Fund compared with all other Common Good Funds in Highland;
- approve the proposed amendments to the Scheme of Delegation;
- agree that Common Good Funds outwith Inverness continue to be managed by the relevant Ward Manager, with support from Finance and other Services as required; and
- agree that Annual Reports (as outlined in Section 3.4) are presented to Area Committees to enable Members to set the Common Good Fund budget, monitor expenditure and ensure that the property and assets of each Common Good Fund are managed effectively.

Designation: Corporate Manager

Date: 3 October 2013

Author: Phil Tomalin, Ward Manager
William Gilfillan, Corporate Manager

Background Papers:

Report to Resources Committee 10 June 2009 “Common Good Fund – Policy and Information”

Report to Resources Committee 2 December 2009 “Common Good Fund – Update on Policy and Information