

Common Good

Using law to protect
common good assets

Environmental Law Centre Scot-
land

JUNE 2009

Common Good Account-
ing

James Perman BSc CA

Accounting Frameworks

- Common Good Funds as charitable bodies
 - 6 individual funds and Scottish Borders
 - Office of the Scottish Charity Regulator
 - Charities Accounts (Scotland) Regulations 2006 - Receipts and Payments or Accrual a/c
- Code of Practice for LA Accounting in UK

- Statement of Recommended Practice (SORP)

- Updated Annually
- Accounting Policies

Accounting Frameworks

- IFRS Code of Practice on LA Accounting

- 2010/2011 Accounts
- Asset Registers need to recognise components
- Leases of Land and Buildings
- Valuation methods
- Revaluations

Law of Fixtures

- Inaedificatum solo, solo cedit
- That which has been built on the ground goes with the ground
 - Does this apply to LA and its CGFs?
 - Land gifted to town, but rates used to build and common good fund used to build on land owned by LA
 - Land and building separated for asset reg.

Valuation of Assets

Operational Land, Properties and Assets

Lower of net current replacement cost in current use or net realisable value

Community Assets

Historical cost net of depreciation

Investment Properties and Assets

Lower of net current replacement cost

(this is MV) or net realisable value

Revaluation to take place regularly at intervals of no greater than 5 years.

Depreciation

- Infrastructure Assets 5-50 yrs
Roads, pavements, etc
- Land and Buildings 1-100 yrs
Includes operational assets
- Investment Properties Not Dep.
- Community assets 20-50 yrs
- Different for each LA

Depreciation Charge

- Service Revenue Accounts, Central Support services and Significant Trading Operations are charged with the annual depreciation charge for assets used.

(Moray 2008)

- ...depreciation charges are made to Service Departments and Common Good Funds to reflect ownership of assets. (NAC 2008)

Operational Properties

- CG Asset (Building) used by LA
- Landlord obligations for CG?
- Commercial rent from LA?
- Imputed full repairing and insuring lease?
 - Nominal rent?
 - Where is the Depreciation charge?

Community Assets

- To be held in perpetuity
- Parks and other public recreation

- Maintenance by LA
- No or negligible revenue generation

- CG asset to prevent disposal
- Nominal value of £1 immaterial

Investment Assets

- Let to outside bodies
- Commercial basis

- Landlord obligations for CG?
- Full repairing and insuring lease?
- Net rent to cover depreciation charge?
- Leisure Trusts?

Income and Expenditure

- Income from Investments
(includes rent)
- Interest from Investment in
the LA Loans Fund

- Any other contribution from LA
- Distribution of grants to individuals or organisations
- Depreciation of Assets
- Repair and maintenance of assets
- Apportioned costs from LA for management of Fund
- Revenue surplus or deficit carried to BS

Balance Sheet

- Intangible Assets
- Tangible Assets
 - Land and Property – different valuation methods

Movables – historic cost or nominal value

- Investments
- Current Assets (loans fund balance)
- Current Liabilities
- Total Assets less Liabilities
- Revaluation Reserve
- Capital Account Balance
- Revenue Account Balance
- Surplus Assets

The Common Good Accounts

- The CG cannot be included within LA a/c
- Separate from the LA

- A managed fund of the LA
 - Separate a/c for (all of the) CG
- Supporting records for individual CGFs
 - Asset registers to be introduced by 31/3/09