

Item: 3

Policy and Resources Committee: 25 November 2025.

Common Good Fund.

Report by Head of Finance.

1. Overview

- 1.1. Common Good Funds were inherited from the former Burgh Councils at reorganisation of local government in 1975. Common Good Funds are held for the benefit of residents of the former Burghs of Stromness and Kirkwall.
- 1.2. This report updates the Committee of the current position of the Common Good Fund and consider proposals to increase the contribution in respect of Fairs and Galas.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Approve an increase in the contribution from the Common Good Fund in respect of Fairs and Galas, from £15,000 to £35,000, for 2025/26 and subsequent years.
 - ii. Agree that the allocation from the Common Good Fund in respect of building maintenance should be extended to include land.
 - iii. Delegate powers to the Head of Finance to determine spend in respect of the allocation from the Common Good Fund relating to building maintenance, up to a maximum spend of £10,000 in any financial year.

3. Background

- 3.1. Common Good Funds are historically unique to Scotland. Common Good arose as a concept centuries ago and it was used to distinguish between the property owned by a burgh for the benefit of the inhabitants and the property owned by individual burgesses. Common Good funds include heritable property (land and buildings) and moveable property (paintings, chains of office, etc.) that belonged to the Burghs of Scotland. Common Good Funds are held for the common good of all the residents of a particular burgh.

- 3.2. Orkney has two burghs, the Royal Burgh of Kirkwall, and the Burgh of Barony of Stromness. Kirkwall received its burgh charter from James III in 1486; while Stromness was granted burgh status in 1817 by George III.
- 3.3. The Local Government (Scotland) Act 1973 states that all property held by Stromness and Kirkwall Town Councils as part of the common good “on 15th May 1975 shall on 16th May 1975 be transferred to and vest in such islands or district council as may be specified in or determined under the order”. On inclusion in the Council’s accounts, the property was combined into one Common Good Fund.
- 3.4. On Local Authority reorganisation in 1994, Section 15 of the Local Government etc. (Scotland) Act 1994 states that such property may not be transferred to a residuary body and, in administering such property, any authority to which it is transferred shall have regard to the interests of the inhabitants of the area to which Common Good related prior to 16 May 1975.
- 3.5. The 1994 Act further states that the Common Good should not be regarded as a general reserve and it would be ultra vires to place the proceeds of any assessment or any portion of it to the credit of the General Fund. The Code of Practice on Local Authority Accounting in the United Kingdom – Statement of Recommended Practice (the SORP) requires that Common Good accounts should be shown separately.
- 3.6. On 23 September 2003, the Policy and Resources Committee recommended:
- That expenditure met from the Common Good Fund in any year should not exceed the income arising on the fund in the previous financial year.
 - That, for financial year 2003/04, the following contributions should be made from the Common Good Fund to meet expenditure, incurred for the common good, presently budgeted under the General Fund:
 - o Fairs and Galas - £15,000.
 - o Twinning and Friendship - £15,000.
 - o Building Maintenance - £10,000.
- 3.7. On 23 November 2004, the Policy and Resources Committee noted that work was ongoing to complete a review of the Common Good Fund. The Committee thereafter recommended:
- That funding available to meet expenditure for financial year 2004/05 should be restricted to £48,000.
 - That, for financial year 2004/05 and subsequent years, the contribution [detailed in 3.6 above] should be made from the Common Good Fund to meet

expenditure, incurred for the common good, presently budgeted under the General Fund.

- 3.8. The assets of the Fund are the properties of these former Burghs and monies are invested with the Council's Loans Fund. The Fund's income is derived from property rentals and interest generated on investments.

4. Statement of Accounts

- 4.1. Within financial year 2024/25 at Note 37 of the Annual Accounts the financial position of the Fund is shown as follows:

2023-2024	Income and Expenditure Account	2024-2025
£000		£000
	Income	
(55)	Interest on Investments etc.	(64)
0	Transfer to revaluation	0
	Expenditure	
32	General Expenditure	17
(23)	(Surplus)/ Deficit for the Year	(47)

31 March 2024	Balance Sheet	31 March 2025		
Total		Stromness	Kirkwall	Total
£000		£000	£000	£000
Investments				
305	Property	36	266	302
169	Heritage Assets	0	169	169
225	Capital Deposits	50	175	225
699	Total Long-Term Assets	86	610	696
473	Loans Fund Deposits	158	367	525
473	Current Assets	158	367	525
0	Less Current Liabilities	0	0	0
473	Net Current Assets	158	367	525
1,172	Net Assets	244	977	1,221
Represented by:				
224	Capital Reserve	54	176	230
500	Revenue Reserve	151	371	522
448	Revaluation Reserve	39	430	469
1,172	Accumulated Funds	244	977	1,221

- 4.2. Although the accumulated funds are showing as £1.221m, it is only the revenue reserve of £522K that can be utilised. The capital and revaluation reserves are unusable reserves. The capital reserve is the capital adjustment account which

relates to depreciation etc. The revaluation reserve is revaluation movements on the assets.

4.3. Income and expenditure over the last three financial years is as follows:

	2024/25	2023/24	2022/23
	£	£	£
Income	64,425.00	56,802.00	38,625.00
Payments	* - 15,000.00	- 30,000.00	- 30,000.00
Charges	- 2,102.01	- 2,102.01	- 2,102.01
Residual Income	47,322.99	24,699.99	6,522.99

*There should have been a transfer made to twinning which was overlooked during the closure of the Council's accounts in 2024/25 which would have reduced the residual income to £32,322.99.

4.4. However, decisions to use the income should be taken with a prudent approach as the interest in revaluations is based on the rental income of properties and interest achieved on the balances within the Common Good Fund. At the time of this report the base rate is reducing.

5. Fairs and Galas

5.1. At present any charitable/fundraising event only pays for 10% of the costs, with events which have an Entry Fee/Profit Making paying 20% of the costs incurred by the Roads Service. The remaining 80-90% is funded by the Council.

5.2. In respect of events that are subsidised examples are as follows:

Charitable/Fund Raising Events	Entry Fee/Profit Making
Firth Gala	Stromness Shopping Week
Boys Brigade	BID Halloween
Pipe Band Parades	County Show
Show Parades	Folk Festival
Science Festival	St Magnus Festival
Vintage Motorcycle	St Magnus Marathon
Stromness Yule Log Pull	Riding of the Marches

5.3. The current cost analysis in respect of fairs and galas is as follows:

2025/26			2024/25		
Potential Spend	Allocation	Shortfall	Net Spend	Allocation	Shortfall
£	£	£	£	£	£
37,239	15,000	22,239	34,108	15,000	19,108

5.4. On 15 September 2025, the Corporate Charging Consultative Group recognised that, if these events are charged full costs, then many of them would not be able to continue to provide these events. Officers were tasked with looking at other funds that could be used to subsidise these costs due to the increasing pressure within the Roads Service which currently covers the shortfall.

5.5. Taking into consideration the factors at sections 4.3 and 5.4 above, an additional draw on the fund of £20,000 in respect of Fairs and Galas would be affordable and keep in line with the previous strategy. This will not be in relation to undertaking additional works but to reduce the overspend within the Roads Service budgets.

6. Buildings Maintenance

6.1. Whilst doing this review it was not clear which officer had authority to determine spend in relation to maintenance costs of buildings held on the Common Good Fund.

6.2. As property held on the Common Good Fund is not just buildings, it would be clearer if the allocation of £10,000 was renamed to land and building maintenance.

6.3. It is also proposed that, to ensure compliance with the relevant Acts at sections 3.3 and 3.4, authority is delegated to the Head of Finance to determine spend from the annual allocation towards land and building maintenance.

For Further Information please contact:

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Implications of Report

1. **Financial** The financial implications are detailed throughout the report.
2. **Legal** The concept of Common Good was created by the Common Good Act 1491 and has been continued and preserved through various enactments. In addition,

there are various cases involving common good assets where judicial precedent would apply.

The Local Government (Scotland) Act 1973, the Local Government (Scotland) Act 1994, the Orkney County Council Act 1974 and the Community Empowerment (Scotland) Act 2015 contain the most relevant current legislation regulating Common Good. Adopting the recommendations in this report will support the Council in complying with the relevant legislation.

3. **Corporate Governance** N/A
4. **Human Resources** N/A
5. **Equalities** N/A
6. **Island Communities Impact** N/A
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - ☒ Growing our economy.
 - ☒ Strengthening our Communities.
 - ☒ Developing our Infrastructure.
 - ☒ Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - ☒ Cost of Living.
 - ☒ Sustainable Development.
 - ☒ Local Equality.
 - ☐ Improving Population Health.
9. **Environmental and Climate Risk** N/A
10. **Risk** N/A
11. **Procurement** N/A
12. **Health and Safety** N/A
13. **Property and Assets** N/A
14. **Information Technology** N/A
15. **Cost of Living** N/A

List of Background Papers

- Policy and Resources Committee, 23 September 2003, The Common Good Fund.
- Policy and Resources Committee, 24 November 2004, The Common Good Fund.
- Land and Property Sub-committee, 3 April 2008, Common Good Fund.