

The Highland Council

City of Inverness Area Committee – 2 December 2014

Agenda Item	16(a)
Report No	CIA/68 /14

Inverness Common Good Fund: Review of Investment Strategy and Capital Planning – Progress Report

Joint Report by Director of Finance and Director of Development and Infrastructure

Summary

This report confirms the position of the Inverness Common Good Fund (ICGF) in relation to its ability to meet the commitments set out in separate reports on the Town House Works and the refurbishment of 1-5 Church Street, Inverness. The context of these contracts with regard to the work of the City Task Force is also given.

1. Background

- 1.1 The focus of the Investment Strategy Review has been on ensuring that the Council remains in the best position to deliver Market Value returns along with providing opportunity to use the ICGF to support the development of a strong and vibrant economy for the City. The principal beneficiaries of the ICGF will remain the residents of the Burgh of Inverness.
- 1.2 The Balance Sheet for 2013/14 is being reported separately to this Committee and shows that the ICGF has cash investments of £10.905m.
- 1.3 The Revenue Monitoring Statement also presented to this Committee separately confirms that expenditure for 2014/15 is on target.
- 1.4 A full progress report on the Inverness City Task Force will be presented at the next scheduled meeting of this Committee. Confirmation of the importance of the two contracts is stated below.

2. Progress – Investment Strategy

- 2.1 At the CIAC held on 3 March 2014, Members agreed to retain the existing Investment Property Portfolio noting that it produced a strong market value return to the ICGF. It was also agreed that existing financial commitments will need to be accounted for in preparation of the final Investment Strategy. At the CIAC held on 3 June 2014, Members agreed that further work as detailed below should await the decisions required on the two contracts referred to above. The work to be undertaken will include:

- An analysis of cashflow and existing expenditure commitments
- Consideration of options for investment
- Links to the Council's programme to enhance economic activity and how the strategy options link to, and support, existing Council services including alternative sources of funding for projects, including external sources

2.2 With the net cost of the recommended tenders for the two contracts being less than anticipated and noting the level of usable reserves, the ICGF is in a position to agree both contracts for its interests without detriment to the development of a sustainable Investment Strategy. This is due to be progressed and reported to the next scheduled meeting of this Committee.

3. City Development – City Task Force

3.1 At its meeting on 3 June 2014 the City of Inverness Area Committee noted the outcome of a recent public consultation seeking feedback on land use and transport priorities in the City Centre. The consultation identified three priorities, which the committee agreed should inform the development of the City Centre Action Plan.

These are:

- Improvements to City Centre access and connections;
- Development of Academy Street and its surroundings; and
- Redevelopment of key sites to create visitor and cultural attractions.

The Committee also considered and commented on proposed initial actions for delivering these priorities.

3.2 The key changes from the current City Centre Development Brief are:

- A refinement to the city vision to reflect the outcome of the recent public consultation;
- Introduction of development principles for each of five key themes;
- A re-structured approach to delivery to reflect:
 - City Centre priorities;
 - action for delivering these priorities; and
 - design criteria for key sites with development potential to guide future planning decisions.

3.3 The Town House – In the context of the above, the works planned fit very well as apart from investing in a prime asset of the ICGF, this investment will be a marker to other potential inward investors that the City has a strong self-belief and confidence in its future.

3.4 1-5 Church Street – The ICGF will receive a Market-Value rate of return on its investment as well as bring a significant number of jobs back into the City Centre. A revitalised building with a fresh facade will also help provide uplift to

the vibrancy of the City centre.

4. Financial Implications

4.1 At its meeting on 3 June 2014, the Committee noted the anticipated Fund Balance and outstanding revenue and capital commitments on the Common Good Fund.

4.2 Following completion of the Annual Accounts and Audit process, this assessment has now been updated in the table below:-

	£000	Fund Balance £000
Cash Investments value at 31.03.14		10,905
Revenue Commitments		
Grants committed but not drawn down	330	
Capital Commitments		
Town House Refurbishment	4,200	
CGF contribution to rewiring Town House	51	
Refurbishment 1-5 Church Street	1,867	
Streetscape Riverside Flood Prevention	800	7,248
Balance		<u>3,657</u>

4.3 In June the commitment of 1-5 Church Street was shown as £0.917m. Following receipt of formal tenders, as reported in a separate report on today's agenda, the cost will require an additional commitment from the Fund of £0.950m.

4.4 The original estimate for the Town House Renovation project was £7.25m. The revised cost projected, as reported separately on today's agenda, is £4.2m. This will make a significant difference to the balance remaining in the Fund.

4.5 Should the Committee, and subsequently the Highland Council, agree to expenditure on both capital projects, then the estimated value of the Fund will be £3.657m.

4.6 As reported previously, Fund Managers have been briefed to manage a withdrawal of investments to meet capital commitments. The remaining balance on the Fund will form the basis of the development of a future strategy.

5. Resource; Legal; Equalities; Climate Change/Carbon Clever; Gaelic; Rural and Risk Implications

- 5.1 Legal and Resource Implications – the application of funds will fall within the competency guidelines set out both in statute and in common law in relation to Common Good Funds. Additionally, through the governance being applied by the Finance Service, funds will remain compliant with all financial regulations. In order to meet revenue expenditure requirements, it may prove necessary to sell share investments.
- 5.2 Equalities Policy – in the application of funding, whether it be through the provision of improvements to facilities or the supply of funds to third party organisations who are running projects, care is taken to ensure that the relevant projects give close attention to the need to provide facilities for as broad a range of the community as possible, including those who are physically disadvantaged. Also, wherever possible, projects incorporate consideration for the increasing number of people coming to live in our City who will not necessarily have English as their first language. Care is also taken to ensure that any projects targeted at a particular age sector of the population are supported by a strong business case for doing so.
- 5.3 Climate Change/Carbon Clever – in the application of funds, in particular relating to the improvement/refurbishment of buildings, attention is given to the need to reduce energy consumption. A balance has to be achieved between the costs of providing additional materials for doing so set against the benefit. Whilst the works proposed to be undertaken to the Town House will largely be external, an assessment will be made as to whether or not any actions can be undertaken which will improve the heat retention capabilities of the Town House.
- 5.4 There are no Gaelic or Rural Risk implications to highlight in this report.

Recommendations

The Committee is invited to:-

1. Note the recommendations made on the Town House Works contract and the contract for the refurbishment of 1-5 Church Street when considering relevant reports; and
2. Note further reports will be presented to formulate a specific strategy for the Fund.

Designation: Director of Finance and Director of Development and Infrastructure

Date: 20 November 2014

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