

The Highland Council

City of Inverness Area Committee – 2 December 2014

Agenda Item	16(d)
Report No	CIA/71/14

Inverness Common Good Fund Annual Report 2013/14

Report by the Director of Finance and the Inverness City Manager

Summary

This report presents the audited accounts for Financial Year 2013/14.

1 Annual Report

- 1.1 Appendix 1 of this report shows the Income and Expenditure Account and Appendix 2 the Balance Sheet in respect of the Inverness Common Good Fund (ICGF) for Financial Year 2013/14. Income from rents slightly exceeded budget at £1.962m. The outturn before capital projects shows a surplus of income over expenditure of £0.314m which is £0.279m more than budget. This is largely due to income received on investments of £0.234m.
- 1.2 Key points to note in relation to Expenditure are:
- (i) Expenditure of £1.884m is £0.401m less than the approved budget of £2.286m.
 - (ii) Most of this underspend relates to Inverness Common Good Fund Grants which has a noted variance of £0.234m. The actual expenditure of £0.542m on grants does not include commitments made before or during the financial year to projects which were not completed by the end of the financial year. In March 2014 the Committee made budgetary provision for carrying forward these prior commitments totalling £0.472m to the current financial year.
 - (iii) The underspend of £0.070m on Winter Payments relates to the previous arrangements in place for assessing applications and for making payments. Members may note £0.015m expenditure during the current financial year which relates to the applications from the previous Winter. The Scheme budget, criteria and process for handling applications are now changed, which should reduce the number of payments made during the following financial year.
 - (iv) The underspend in City Promotions of £0.044m does not include commitments for Subventions made during the financial year to conferences etc. which were to be held at a future date. In March 2014 the Committee approved the budget for the current financial year which includes a separate cost centre for Subvention, with provision of for carrying forward these prior commitments.
 - (v) The underspend in Other Properties of £0.042m is in a cost centre where expenditure in recent years has been reactive to maintenance issues relating to assets which are not covered by specific lines in the budget. An active rather than reactive approach is now being taken in relation to maintaining the asset portfolio.

- (vi) In March 2014 the Committee agreed to increase the Central Support Charge hence the overspend of £0.01m.
- 1.3 Expenditure on capital projects totalled £0.769m, which was £0.774m less than budget. This is due to expenditure on some of the capital projects in particular 1-5 Church Street, Town House and Inverness City Arts being delayed until 2014/15.
- 1.4 The statement also shows surpluses on revaluation of assets (£0.367m) and investments (£0.379m). These surpluses arise from changes in the market valuations of Common Good assets as a result of the annual valuation of the property and share portfolios required for the annual accounts. Finally, an investment manager's fee of £0.050m is included for the preparation of the annual share valuation. It is proper accounting practice to show this fee separately rather than to deduct it from investment income.
- 1.5 Members are requested to note changes to the reserves reported in the audited accounts. This is as a result of adjustments provided by Audit Scotland to all the Common Good accounts.
- 1.6 The underlying concept is that each category of asset in the top half of the balance sheet has an equivalent reserve in the bottom half of the balance sheet. Unusable Reserves comprise the Revaluation Reserve, Capital Adjustment Account, and Assets Held for Sale Reserve. These are matched with the non-current assets.
- 1.7 Heritage assets are represented by the Revaluation Reserve (£1.452m) and the investment properties held by the Common Good are represented by the Capital Adjustment Account (£21.272m).
- 1.8 The value of the investment portfolio (£10.904m) is split over the Assets Held for Sale Reserve and Revenue Funds. The Assets Held for Sale Reserve represents the unrealised gain on the market value of the investment portfolio (£4,125m) and the book value of the investments (£6.779m) is included within Revenue Funds.
- 1.9 Usable reserves comprise Revenue Funds and represent the actual funds available (£6.367m). They are represented by the book value of the investment portfolio (£6.779m) and short term deposits, sundry debtors and sundry creditors at the year-end (£0.412m). The usable reserves of the Common Good Funds have increased due to the reallocation of items which in previous years had been identified as unusable reserves. The effect of the amendments on each reserve was as follows. Total Reserves have **not changed**, only the split between the individual reserves.

Inverness Common Good
31/03/2014
Usable and Unusable Reserves

	Audited	Unaudited	Movement
	£	£	£
Usable Reserves			
Revenue Fund	6,367,076	5,136,365	-1,230,711
Donated Asset			0
	<u>6,367,076</u>	<u>5,136,365</u>	<u>-1,230,711</u>
Unusable Reserves			
Revaluation Reserve	1,452,405	23,635,339	22,182,934
Capital Fund		4,415,083	4,415,083
			-
Capital Adjustment Account	21,272,000	30,000	21,242,000
Available for Sale Reserve	4,125,306		-4,125,306
	<u>26,849,711</u>	<u>28,080,422</u>	<u>1,230,711</u>
Total Reserves	<u>33,216,787</u>	<u>33,216,787</u>	<u>0</u>

2. Implications

- 2.1 There are no Equalities, Climate Change/Carbon Clever, Legal, Financial, Gaelic, Risk or Rural Implications.

Recommendation

The Committee is invited to note the Inverness Common Good Fund Annual Report for 2013/14.

Designation: Director of Finance and Inverness City Manager

Date: 19 November 2014

Authors: Fiona Callum, Principal Accountant
 Stewart Wardlaw, Ward Manager

INVERNESS COMMON GOOD FUND
STATEMENT OF AUDITED ACCOUNTS 2013/14
BALANCE SHEET
AS AT 31 MARCH 2014

APPENDIX 2

2012/13		2013/14
£		£
	<u>Non current assets</u>	
20,719,000	Investment properties	21,272,000
10,342,005	Investments at valuation	10,904,801
1,638,000	Heritage	1,452,405
<u>32,699,005</u>		<u>33,629,206</u>
	<u>Current assets</u>	
97,375	Sundry debtors	130,250
375,853	Loans fund deposits	-
<u>473,228</u>		<u>130,250</u>
	<u>Current liabilities</u>	
(196,379)	Sundry creditors	(182,168)
-	Loans fund deposits	(360,501)
<u>(196,379)</u>		<u>(542,669)</u>
<u>32,975,855</u>	Total assets	<u>33,216,787</u>
	Usable reserves	
6,872,496	Revenue funds	6,367,076
	Unusable reserves	
1,638,000	Revaluation reserve	1,452,405
20,719,000	Capital adjustment account	21,272,000
3,746,359.00	Available for sale reserve	4,125,306
<u>26,103,359</u>		<u>26,849,711</u>
<u>32,975,855</u>	Total reserves	<u>33,216,787</u>