

Agenda Item	<b>8e</b>
Report No	<b>SRC/023/15</b>

## Tain Common Good Fund - Budget Setting 2015/16

### Joint Report by the Head of Policy and Reform and the Director of Finance

#### Summary

This report outlines details of anticipated income and expenditure and invites Members to homologate the acceptance of grazing bids, delegate the consideration and award of Salmon Fishing Rights and to approve a budget for the Tain Common Good Fund for 2015/16.

#### 1. Introduction

- 1.1 Monitoring reports are regularly provided to Area Committee to enable regular monitoring of activity in the fund against budget. An Annual Report is also provided giving the audited accounts for the previous financial year and a proposed budget is also brought to the Committee for Members to consider and approve.
- 1.2 In future years the intention is to present the audited accounts and at the same time set a budget for the following financial year. However the 2015/16 budget has not yet been set and clearly it is important to have this in place as early as possible. Therefore this report presents in **Appendix One** a proposed budget for 2015/16 for the Committee to consider.

#### 2. Anticipated Revenue

- 2.1 Rental Income – Rental income comes principally from the Market Street stalls, let in two lots. A small amount of income is also received from 2 areas of grazing which are let by open advertisement in March each year. 1 bid only was received for each of these grazings for 2015/16 and these have therefore been accepted. The Committee is asked to homologate acceptance of these bids. Overall the total income anticipated from these sources in 2015/16 is £6,805.
- 2.2 Miscellaneous Income – Approximately £250 miscellaneous income is expected from a let of the Tain Links booked for July 2015.
- 2.3 Mussel Fishery – Mussel fishery income has been reduced in recent years and as fishing activity depends to a large extent on production elsewhere in the UK and Europe, and on imports, annual income is increasingly difficult to predict. During the 2014/15 financial year long periods of closure, as a result of algal toxin events, combined with low demand for Dornoch Firth mussels has resulted in an anticipated deficit for the year of around £21K. Given the current

difficult market conditions it is anticipated that demand will remain low during 2015/16. At the time of writing and assuming there are no imposed long term algal toxin closures it is anticipated that the operation could break even during the financial year during 2015/16.

- 2.4.1 Fishing Rights\_– The Tain Common Good holds the rights for salmon over an area in the Dornoch Firth. These rights have been leased for some years to the Kyle of Sutherland Fisheries Board who have ‘rested’ the area mainly in order to maximise the number of salmon entering the Kyle rivers.
- 2.4.2 That lease expired some time ago and the rights were recently re advertised with a closing date of 10th April 2015. Factors to be considered in agreeing to a new lease include impact on salmon levels as well as the sum offered. The Area Committee is asked to delegate detailed consideration and approval of bids to the Senior Ward Manager in consultation with the Head of Environment and Development, The Chair of the Committee and local Ward Members.
- 2.4.3 In the meantime it is proposed that, for budget purposes, the income be set at an assumed £100 as this is the sum set as the Rateable Value (Equivalent to the annual rent) by the Scottish Assessor Association.
- 2.4.4 Grant income – this relates to the Alexandra Bridge. Historic Scotland has offered a grant of £98,895, the Royal Burgh of Tain Community Council has offered £5,000 and there is also approval in place for a Capital Discretionary contribution of £50,000. These grants will help meet the costs of refurbishing the Alexandra Bridge. Ward Discretionary Budget has already contributed £5,000 in 2013/14 and £6,945 in 2014/15 to the preparatory works for the project. Appendix One includes the grant income expected in 2015/16. More detail on this is included in paragraph 3.3 below.
- 2.5 Interest on Revenue Balances – Assuming that the current low interest rates continue, it is anticipated that interest receivable on projected surplus balances will be approximately £2,175 in 2015/16.

### **3. Anticipated Expenditure**

The main revenue budget headings can be summarised as follows:

- 3.1 Property charges and maintenance (excluding Alexandra Bridge)
  - 3.1.1 Details of anticipated expenditure in relation to property are set out below.
  - 3.1.2 The Market Street units are let on full repairing leases so no expenditure is anticipated in 2015/16.
  - 3.1.3 The grazings are let each year on a 364 day grazing let. The fencing on one of the grazing lets was in very poor condition but the Glenmorangie Company agreed to renew this section of fencing as a good will gesture in support of the Common Good. This is due to be carried out in the near future and is much appreciated. As a result no expenditure is anticipated in relation to the grazings.

- 3.1.4 There is an annual charge included under property to cover the cost of monitoring the town's CCTV systems of just under £5, 500.
- 3.1.5 Costs of tree management also need to be considered. Last year a requirement for removal of a number of trees was identified. There is also a requirement to replant a small number of trees under Forestry Commission licence conditions. It is suggested £10,500 be allowed for this, also within the property budget.
- 3.1.6 There are also minor costs related to building insurance and electricity costs. It is recommended that £1,000 be set aside for these items bringing the total property budget to £17,000.

## 3.2 **Mussel Fishery**

- 3.2.1 Maintenance and repair work is required to the mussel fishing boat which should be carried out during 2015/16 if possible. This includes:

- Slipping, painting and replacement of anodes
- Repair or replacement of the crane

The cost of these works is estimated at around £30K and it is unlikely that the fishery will generate enough income to cover costs. The availability of other sources of funding for this work will be investigated, including the potential use of the Council's capital discretionary fund.

- 3.2.2 There is also the need to update landing logging equipment to meet new EU requirements for electronic logging and to install automatic identification system (AIS) software. Grant aid is being pursued for this, but in the meantime it is recommended budget provision be included as shown. It is anticipated that the cost of the installations will amount to around £2.5K during 2015/16. Preliminary work to support these changes has already been carried out.
- 3.2.3 Clearly a situation where the fishery generates repeated deficits is unsustainable and detrimental to the Common Good Fund. At the time of writing the Head of Environment and Economic Development had undertaken to produce an options discussion paper looking at the issues and implications of different management options for the fishery. These will be discussed with Ward Members and Tain Community Council representatives. A verbal update will be provided for the Area Committee and any longer term changes proposed will be the subject of a separate report to the appropriate Council committee.

## 3.3 **Alexandra Bridge Refurbishment**

- 3.3.1 The funding package for the Alexandra Bridge is now in place having been approved at the Resources Committee on 25<sup>th</sup> February 2015 and the contract has been awarded. Work is expected to start on site around 20<sup>th</sup> April. The total cost of the whole project is expected to be £342,500 of which £76,500 has been spent on preparatory works to date. Paragraph 2.4.4 outlines the sources of grant income supporting this project. The remainder of the project cost expected to be £266,000 will require to be funded from the grants income

detailed above with the balance (£111,919) coming from the Tain Common Fund itself. As the works progress the agreed grant funding will be drawn down.

- 3.4 Grants to the Community - given the current income position and the significant expenditure required on the Alexandra Bridge it is recommended that a nil budget for Common Good grants should be made for 2015/16. This is in line with the principle that funds should be allocated to essential expenditure first.

#### **4. Implications**

- 4.1 Equalities Policy - Letting of properties, grazings etc. is carried out by open advertisement to allow an opportunity to any interested parties. There are no other equalities implications.

- 4.2 Legal and Financial Implications – the application of funds for the refurbishment of the Alexandra bridge 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 implied by the Finance Service, funds will remain compliant with all financial regulations.

There are clearly financial implications with a deficit of £41,170 anticipated in 2015/16 plus a transfer of £112,105 from usable reserves towards the bridge refurbishment. However the Alexandra Bridge funding package was approved in order to maintain the asset and the implications for balances considered at that time. As noted in paragraph 3.2.1 the Mussel boat requires work which, if carried out with no income received to offset, will result in a deficit. However as the report notes an options discussion paper will be provided, considered in consultation with Ward Members and the local Community Council and brought back to the appropriate Committee. The intention is to ensure an appropriate way forward is found, repeated deficits not incurred and the Usable Reserves monitored and not allowed to fall below a prudent level.

- 4.3 Risk – There is a risk that the Alexandra Bridge contract costs will be exceeded. Should this occur it would have further implications for the Common Good. There are inevitably some ‘unknowns’ in such a contract, as for example it is not possible to fully examine the bridge tower foundations. However the tender has been assessed and recommended as appropriate for acceptance by professional advisors. The project budget also includes a £50,000 contingency sum. The mussel fishery operations also represent a significant risk given recent trading performance and the external variables that can affect performance and potentially result in repeated deficits. This risk and how best to manage it will be considered in more detail as a part of the options appraisal work detailed in 3.2.
- 4.4 There are no Carbon Clever/Climate Change, Rural or Gaelic implications.

## **Recommendation**

The Committee is invited to:

- i. homologate acceptance of the bids for the grazing lets
- ii. delegate consideration and award of the Salmon Fishing Rights to the Senior Ward Manager in consultation with the Head of Environment and Development and local Ward Members;
- iii. note that an Options Appraisal Paper is to be drafted in relation to the mussel fishery;
- iv. agree the Tain Common Good Fund budget for 2015/16 detailed within the report and Appendix One.

Designation: Derek Yule, Director of Finance and Carron McDiarmid, Head of Policy and Reform.

Date: 7<sup>th</sup> April 2015

Author: Helen Ross, Senior Ward Manager, CSER

**Appendix One****Proposed 2015/6 Tain Common Good Budget**

	2015/16 Proposed Budget
<b>Expenditure</b>	
Property Costs	17,000
Central Support Charge	1,000
Mussel Boat expenditure	32,500
Grants	0
Alexandra bridge Refurbishment (already approved and committed)	<u>266,000</u>
Total	316,500
<b>Income</b>	
Rents	6,805
Miscellaneous	250
Interest and investment income	2,175
Mussel income	0
Kyle of Sutherland fisheries	100
Capital Discretionary Grant (already approved)	50,000
Historic Scotland Grant ( grant offer accepted)	98,895
Tain Community Council contribution to bridge (offer confirmed)	5,000
Transfer from TCGF Reserves re Alexandra Bridge refurbishment	112,105
Total income	<u>275,330</u>
<b>Surplus/(deficit) for the year</b>	<b><u>(41,170)</u></b>