

The Highland Council

City of Inverness Area Committee – 3 December 2015

Agenda Item	15(a)
Report No	CIA/67/15

Inverness Common Good Fund Annual Report 2014/15

Report by the Director of Finance and the Inverness City Area Manager

Summary

This report presents the audited accounts for Financial Year 2014/15. Expenditure is within budget, income from both investments and commercial rents was higher than expected. Fewer reserves than anticipated had to be realised to fund Major Projects which include important ongoing work on major Inverness assets including the Town House and 1-5 Church Street.

1 Annual Report – Income, Expenditure & Projects

- 1.1 Appendix 1 of this report shows the Financial Monitoring Statement and Appendix 2 the final Audited Balance Sheet position in respect of the Inverness Common Good Fund (ICGF) for Financial Year 2014/15.
- 1.2 Income from rents amounted to £2.082 and exceeded budget by £0.113mm. The outturn before capital projects shows a surplus of income over expenditure of £0.177m. This is largely due to income received on investments of £0.277m which is re-invested with our Fund Managers and as such is unbudgeted for revenue account purposes. The revenue balance of £0.177m helped fund the cost of Projects of £1.326m. The balance of capital expenditure was met from Fund reserves.
- 1.3 Commentary on significant variances (greater than £0.005m) is set out below per cost centre.

2. Variances – Income

- 2.1 *Rents - Industrial Estates*
The income of £1.499m is £0.104m over budget. The greater level of income is due to the commercial portfolio performance exceeding expectations.
- 2.2 *Rents - Victorian Market*
The income of £0.271m is £0.011m under budget. This reflects gaps in tenancy during a period of change in the Market.
- 2.3 *Rents - Other Properties*
The income of £0.059m is £0.020m over budget. This is due to income of £0.023m from the leaseholder of the Ness River Salmon Fishings (to be set against the expenditure for the Ness River Assessment charge made to Other Properties Expenditure cost centre).
- 2.4 *Other Income - Contribution to Grants from Reserves*
The anticipated contribution to the grant budget from reserves was not required as the revenue account returned a surplus without the need for a transfer. .

2.5 *Other Income - Income from Investments*

As in previous years, investment income from the ICGF Property and Share Portfolio amounting to £0.277m has been received and re-invested.

3. Variances – Expenditure

3.1 *Town House Maintenance*

The overspend of £0.007m is due to additional costs for the installation of the car park barrier system. Members approved expenditure on this system during the financial year.

3.2 *Other Properties*

The overspend of £0.013m is due to the payment late in the financial year of the Ness River Assessment charge of £0.023m. As referred to above this charge is offset by income from the leaseholder of the Ness River Salmon Fishings.

3.3 *Civic and Conference Hospitality*

The underspend of £0.010m relates to hospitality where funding was agreed during 2014/15 but where all or part of the actual expenditure did not take place before the end of the financial year and was carried forward to 2015/16.

3.4 *Town Twinning*

The underspend of £0.009m is largely due to Inverness Town Twinning Committee not making a grant claim, which is usually done on an annual basis, as there were no significant items of expenditure relating to Town Twinning during the year.

3.5 *Winter Payments*

The original budget allocation was £0.050m. In September 2014 the Committee agreed to the additional sum of £0.050m being ring-fenced within the Grants budget to be used for the additional expenditure required for the changed criteria for payments. The stated underspend of £0.018m is in relation to the revised budget allocation.

3.6 *Inverness Common Good Fund Grants*

The original budget of £0.822m comprised £0.312m for grants committed prior to 13/14, £0.160m for grants committed in 13/14 and £0.350m for 14/15 grant approvals. In September 2014 the Committee agreed to the additional sum of £0.050m being ring-fenced within the Grants budget to be used for the additional expenditure required for the changed criteria for winter payments. The underspend of £0.127m is in relation to the revised budget allocation of £0.772m. The underspend mostly relates to projects where funding has been agreed before or during 2014/15 but where the delivery of the project and all or part of the actual expenditure did not take place before the end of that year. The sum of £0.122m for grants committed during or prior to 14/15 was rolled forward into the 2015/16 budget.

3.7 *Subventions*

The underspend of £0.034m relates to grants for conferences where funding has been agreed before or during 2014/15 but where all or part of the actual expenditure did not take place before the end of the current financial year. The sum of £0.014m for grants committed during or prior to 14/15 was rolled forward into the 2015/16 budget.

3.8 *BID Partnership*

The overspend of £0.013m is due to additional expenditure on approved partnership projects. The budget allocation for 2015/16 was revised to include expenditure on all Partnership initiatives.

3.9 *Events & Festivals*

The underspend of £0.014m is in relation to the budget allocation of £0.370m for 14/15 which was increased by £0.050m from the previous year to cover expenditure for the one-off 2014 Homecoming Festival and Masters' World Championship. The 15/16 budget was reduced in accordance with the anticipated expenditure for the established annual portfolio of events.

4. **Variances – Projects**

Expenditure totalled £1.326m, which was £0.807m less than budget. This is largely due to expenditure on 1-5 Church Street and Inverness City Arts being delayed until 2015/16.

4.1 *Town House Refurbishment*

The overspend of £0.165m is due to quicker progress than anticipated during Phase One of the Project. The Project remains on target to meet the agreed overall budget.

4.2 *Refurbishment 1-5 Church Street*

The underspend of £0.767m is due to delays in finalising the lease arrangements before the work could commence and was carried forward to 2015/16. The Project remains on target to meet the agreed budget and complete the work during this financial year.

4.3 *Victorian Market Windows Replacement*

The overspend of £0.008m is largely due to additional electrical work that only became apparent after the commencement of the Project.

4.4 *Inverness City Arts Project;*

The underspend of £0.213m includes £0.175m related to activities planned for 2015-16 and therefore carried forward to the current financial year and is net of income transferred from the Development and Infrastructure Service and Creative Scotland.

4.5 The statement also shows surpluses on revaluation of assets (£0.724m) and investments (£1.456m). 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; and also the sale of investments during 2014/15 (£1.2m). Finally, an investment manager's fee of £0.053m is shown separately from the investment income

5. **Balance Sheet**

5.1 The underlying concept of the Balance Sheet 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.

5.2 Unusable Reserves comprise the Revaluation Reserve, Capital Adjustment Account, and Assets Held for Sale Reserve. These are matched with the non-current assets.

- 5.3 Heritage assets are represented by the Revaluation Reserve (£2.063m) and the investment properties held by the Common Good are represented by the Capital Adjustment Account (£22.117m).
- 5.4 The value of the investment portfolio 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 (£3.635m) and when added to the book value of the investments (£6.219m) gives the total market value of investments (£9.854m).
- 5.5 Usable reserves comprise Revenue Funds and represent the actual funds available (£6.380m). They are represented by the book value of the investment portfolio (£6.219m) and short term deposits, sundry debtors and sundry creditors at the year-end (£0.161m).

6. Implications

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

Recommendation

The Committee is invited to note the Final Monitoring Report and Balance Sheet for the Inverness Common Good Fund at 31st March 2015 .

Designation: Director of Finance and Inverness City Area Manager

Date: 20 November 2015

Authors: Vicki Macdonald, Accountant
Stewart Wardlaw, Ward Manager

**MONITORING STATEMENT 2014/15
INVERNESS COMMON GOOD FUND
FOR PERIOD ENDING 31 MAR 2015**

APPENDIX 1

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	VARIANCE
	£000	£000	£000
INCOME			
Rents			
Industrial Estates	1,499	1,395	104
Victorian Market	271	282	(11)
Town House	253	253	0
Other Properties	59	39	20
	<u>2,082</u>	<u>1,969</u>	<u>113</u>
Other Income			
Contribution to Grants from Reserves	0	385	(385)
Income from Investments	277	0	277
Interest on Revenue Balances	0	5	(5)
TOTAL INCOME	<u><u>2,359</u></u>	<u><u>2,359</u></u>	<u><u>0</u></u>
EXPENDITURE			
Industrial Estates	3	5	(2)
Victorian Market	189	185	4
Town House Maintenance	107	100	7
Other Properties	143	130	13
Civic and Conference Hospitality	110	120	(10)
Ness Islands & Bank Maintenance	25	27	(2)
Festive Lights	68	65	3
Town Twinning	0	9	(9)
Winter Payments	82	100	(18)
Inverness Common Good Fund Grants	645	772	(127)
City Promotions	46	50	(4)
Subventions	29	63	(34)
BID Partnership	83	70	13
Events & Festivals	356	370	(14)
CCTV	92	90	2
Property Management Fees	118	118	0
Central Support Charge	60	60	0
Other Charges	17	14	3
Town House Other Costs	9	11	(2)
TOTAL EXPENDITURE	<u>2,182</u>	<u>2,359</u>	<u>(177)</u>
Income Less Expenditure	<u><u>177</u></u>	<u><u>0</u></u>	<u><u>177</u></u>
PROJECTS			
Town House Refurbishment	265	100	165
CGF contribution to re-wiring of Town House	51	51	(0)
Refurbishment 1-5 Church Street	150	917	(767)
Streetscape Riverside Flood Prevention Project	800	800	0
Victorian Market Windows Replacement	48	40	8
Inverness City Arts Project	12	225	(213)
TOTAL PROJECTS	<u><u>1,326</u></u>	<u><u>2,133</u></u>	<u><u>(807)</u></u>

INVERNESS COMMON GOOD FUND

APPENDIX 2

2013/14 £	Balance Sheet	2014/15 £
	<u>Non current assets</u>	
21,272,000	Investment properties	22,117,045
10,904,801	Investments at valuation	9,853,586
1,452,405	Heritage Assets	<u>2,063,374</u>
<u>33,629,206</u>		<u>34,034,005</u>
	<u>Current assets</u>	
130,250	Sundry debtors	310
<u>0</u>	Loans fund deposits	<u>522,273</u>
130,250		522,583
	<u>Current liabilities</u>	
(182,168)	Sundry creditors	(362,005)
<u>(360,501)</u>	Loans fund deposits	<u>-</u>
(542,669)		(362,005)
<u>33,216,787</u>	Total assets	<u>34,194,583</u>
	Usable reserves	
6,367,076	Revenue funds	6,379,514
	Unusable reserves	
1,452,405	Revaluation reserve	2,063,374
21,272,000	Capital adjustment account	22,117,045
4,125,306	Available for Sale Reserve	<u>3,634,650</u>
<u>26,849,711</u>		<u>27,815,069</u>
<u>33,216,787</u>	Total reserves	<u>34,194,583</u>