

The Highland Council
Sutherland County Committee
09 February 2016

Agenda Item	13.
Report No	SCC/ 09/16

**Dornoch Common Good Fund – Annual Report 2014/15
Monitoring Report Third Quarter 2015/16
Budget Report 2016/17- Five Year Plan.**

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

Summary

This report invites members to scrutinise and note both the Dornoch Common Good Annual Report and Accounts for 2014/15 and the monitoring statement to Dec 2015. Members are also asked to approve the Dornoch Common Good Fund Annual Budget for 2016/17 along with five year strategy.

1 Annual Report 2014/15

This Annual Report has been compiled in accordance with Common Good Policy agreed by the Highland Council on 19 December 2013.

2 Annual Accounts 2014/15

- 2.1 **Appendix One** of this report shows the Income and Expenditure Account and Balance Sheet in respect of the Dornoch Common Good Fund (DCGF) for Financial Year 2014/15. These are now audited accounts.
- 2.2 Income received was in line with that forecast.
- 2.3 In relation to expenditure Members will note that spend on property repairs and maintenance was low at only £740. This was significantly below the budget set of £5,000.
- 2.4 Members are requested to note the spend on Voluntary Sector Grants as itemised in Note 1. This is over the agreed budget of £12,000 as a result of the £15,000 grant awarded to Dornoch Area Community Interest Company to the Discover Dornoch project as agreed by Caithness and Sutherland Area Committee on 9th December 2014. Members supported this additional grant largely because of the potential benefit to local businesses and the level of external funding it levered in.
- 2.5 The Accounts show a grant spend of £27,000 whereas Note 1 lists grants awarded of a value of £30,000. This is simply the result of a coding error - in 2014/15 £3,000 was incorrectly credited to the Dornoch Common Good account instead of the VAT account. This will be corrected in the 2015/16 accounts, which will show an increase in outturn on voluntary sector grants by £3,000.

3 2015/16 Third Quarter Monitoring Report

3.1 **Appendix Two** of this report shows the position of the DCGF at the end of the Third Quarter of the current Financial Year (2015/16) against budget.

3.2 Income

Members are asked to note that invoices for all rent were issued in the third Quarter. One payment remains outstanding but is expected shortly. The anticipated outcome will be £21,530, slightly below the budget set. This is due to the termination of a lease agreement for ground at Dornoch Airfield which was agreed by Caithness and Sutherland Area Committee on 26th May 2015. However Members may recall that a £3,000 compensation payment to the fund from the tenant on a one off basis was agreed and this is also shown in Appendix Two.

3.3 Expenditure

Members are asked to note that there is a pending grant award of £5000 to the Dornoch West Church Hall refurbishment project, which will increase the level of grants awarded to date to £11,000. No further applications are currently under consideration but as more applications may be received the anticipated outturn remains at £12,000. The £3,000 adjustment referred to in section 2.5 will also be made and the estimated out turn reflects this. As noted above this is a correction relating to a 2014/15 grant.

Once again spend on property and miscellaneous costs have been low, with the anticipated outturn being reduced from £5,000 to £165.

4 Disposal and Acquisitions

4.1 There were no disposals or acquisitions in 2014/15.

5. Budget for 2016/17

5.1 The proposed revenue budget for 2016/17 can be found in Appendix Three.

5.2 Rental Income – Rent is due for Dornoch Caravan and Camping Park, Dornoch Water Treatment Works, Dornoch Firth Salmon Netting Rights, Dornoch Golf Course (part), Coastguard Station, Land at Well St. and History links Dornoch. The total rent due for 2016/17 is £21,530.

5.3 Interest On Revenue Balances – Assuming that the current low interest rates continue, it is anticipated that interest receivable on projected surplus balances will be approx. £1,000 in 2016/17.

5.4 Property and Miscellaneous Costs

Property costs (usually relating to repair and maintenance of footpaths benches etc. around the Beach car park, on the links and Dornoch Burn) tend to be low. Likewise, other costs covered by the Common Good Fund tend to be minimal. However given that repairs may be required it is proposed that the £5,000 budget be retained to cover essential costs that may arise.

5.5 Grants to the Community

In order to protect reserves it has been agreed in future to limit grants to £12,000. Whilst reserves are healthy, there is a commitment to contribute £100,000 over three years to the proposed new build of Dornoch Community Centre at the Meadows, Dornoch as

agreed at Highland Council on 17th December 2015. The first year's payment of £50,000 is expected to be shown within financial year 16/17, but this is dependent DADCA identifying a full funding package.

6. Financial Strategy

- 6.1 It is important to ensure that the DCGF is being managed responsibly over the long term. Members will be aware that the main sources of income are rents due from the caravan site, the water board premises and coastguard station.
- 6.2 Given the security of the rental income sources and lease lengths, it is reasonable to assume that income will be maintained at approximately the same level over the next 5 years. Increases may arise from rent reviews or new opportunities to lease additional areas, however as none are currently foreseen no alterations to the budget forecast has been made.
- 6.3 In recent years the main expenditure incurred has been in relation to the grants awarded. These are discretionary and the budget level can therefore be varied with Committee approval from year to year as required. However for planning purposes it is proposed that a continued annual budget of £12,000 for grants be assumed. In addition to this the grant commitment in place for DADCA (see para 5.5 above) must be taken into account. Property costs have been low but given that the DCGF owns properties, land and trees which means there are potential liabilities it is suggested a modest budget of £5,000 be retained even though this has not recently be utilised.
- 6.4 On the basis of these planning assumptions the revenue reserves of the DCGF would reduce over the next 3 years due to the grant to DADCA but once this commitment is delivered a small surplus of £6,280 per year would be generated. This forecast is shown on the table below for Members to consider.
- 6.5 Although the table below shows a deficit in years 16/17, 17/18 and 18/19, this will actually be funded from revenue reserves.

6.6	2015/16 estimated outturn £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Rents	21,530	21,530	21,530	21,530	21,530	21,530
Interest etc	1,000	1,000	1,000	1,000	1,000	1,000
Lease compensation	3,000					
Total income	25,530	22,530	22,530	22,530	22,530	22,530
Grants budget	15,000	12,000	12,000	12,000	12,000	12,000
DADCA commitment		50,000	25,000	25,000	0	0
Property costs	165	5,000	5,000	5,000	5,000	5,000
Total Expenditure	15,165	67,000	42,000	42,000	17,000	17,000
Surplus/deficit	10,365	(44,470)	(19,470)	(19,470)	5,530	5,530
Revenue Fund at 31/03/15	213,630					
Revenue Fund at end of FY	223,995	179,525	160,055	140,585	146,115	151,645

7. Implications

7.1 Legal & Financial Implications

7.2 All funds will be spent in accordance with financial regulations. Members will see that in 2014/15 overall a small deficit was incurred of £4,908. This was largely due to the additional grant award made as outlined in paragraph 2.4 and as noted the benefits obtained were felt offset the implications. A surplus of £10,365 is anticipated in the current year which will increase the revenue balances available which stood at £213,630 as at 31st March 2015. The award of £100,000 to DADCA agreed in December 2015 will result in deficits over the next 3 financial years as noted shown in paragraph 6.4. However this does not reduce Reserves to a level below that considered prudent and the grant will enable DAA to provide an important new facility for the community. Thereafter assuming a level grants budget and no other significant changes a small surplus will be generated each year which will support the level of Reserves.

7.3 Members are aware that the Community Empowerment (Scotland) Act 2015 places new duties on the Council regarding Common Good Funds. The Act requires Councils (as trustees) to establish and maintain a common good register, listing all common good property, and to make this publicly available free of charge including on a website. When

establishing this register, Community Councils and other community bodies (whether or not formally constituted) must be invited to comment on it as a way to highlight any items they believe should be included or omitted. The Council must also consult on any decisions to sell or change the use of common good property, and the public must be informed of any decisions. Statutory guidance is awaited on this provision in the Act and arrangements will be made to ensure the Council complies with the duties. Given the current arrangements regarding the Dornoch Common Good Fund the new duties will not be onerous.

7.4 There are no Equalities, Climate Change or Carbon Clever implications within the report although the new community facility which DADCA will build will be better insulated and have a more sustainable heating system than the current building. It will also have improved access.

7.5 There are no Gaelic or Rural implications.

Recommendation

The Committee is invited to:

- Note the Dornoch Common Good Fund – Annual Report and Accounts for 2014/15
- Note the Dornoch Common Good Fund – Third Quarter, 2015/16 Monitoring Report
- Approve the Dornoch Common Good Fund – Annual Budget for 2016/17
- Consider the financial strategy outlined

Designations: Director of Finance and Head of Policy and Reform

Date: 26 January 2016

Author: Garry Cameron, Temp, Ward Manager East Sutherland and Edderton

Background Papers:

Appendix One: Dornoch Common Good Annual Accounts 2014/15

Appendix Three: Dornoch Common Good Second Quarter 2015/16 Monitoring Report

Appendix Two: Dornoch Common Good Annual Budget 2016/17

**APPENDIX ONE - 2014-15
STATEMENT OF AUDITED ACCOUNTS
Dornoch Common Good Fund**

Income and Expenditure Account	2014/15	2013/14
	£	£
<u>Expenditure</u>		
Grants and contributions	27,000	16,492
Property repairs and maintenance	740	525
Legal fees	109	-
Miscellaneous	71	-
Administration charges	66	60
Total expenditure	<u>27,986</u>	<u>17,077</u>
<u>Income</u>		
Rents	21,880	22,030
Interest and investment income	898	1,022
Sale of Land	300	-
Total income	<u>23,078</u>	<u>23,052</u>
Surplus/(deficit) for the year	(4,908)	5,975
Revaluation gains/(losses)	<u>(55,188)</u>	<u>-</u>
Total comprehensive income and expenditure	(60,096)	5,975
Balance Sheet	31/03/15	31/03/14
	£	£
<u>Non current assets</u>		
Investment properties	-	55,188
Heritage Assets	22,250	-
	<u>22,250</u>	<u>55,188</u>
<u>Current assets</u>		
Loans fund deposits	213,656	218,538
<u>Current liabilities</u>		
Sundry Creditors	<u>(26)</u>	<u>-</u>
Total assets	235,880	273,726
Usable reserves		
Revenue funds	213,630	218,538
Unusable reserves		
Capital adjustment account	-	55,188
Revaluation Reserve	22,250	-
	<u>22,250</u>	<u>-</u>
Total reserves	235,880	273,726

Note 1 Grants & Contributions

	£
Dornoch Area Community Interest Company-Branch Development.	5,000
Dornoch Pipe Band- Purchase of Equipment and Uniforms	4,000
Dornoch and District Community Association- Glebe Field Legal Fees.	1,000
Dornoch Bowling Club-Clubhouse Refurbishment.	5,000
Dornoch Area Community Interest Co.- Discover Dornoch	15,000
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	30,000

Appendix Two

Dornoch Common Good - Quarterly Monitoring Period to Dec 2015

	Actual to date	Budget	Estimated Outturn	Estimated Variance
INCOME	£	£	£	£
Rents	12,880	22,280	21,530	(750)
Compensation lease cancellation	3,000	-	3,000	3,000
Interest and investment income	-	1,000	1,000	-
TOTAL INCOME	<u>15,880</u>	<u>23,280</u>	<u>25,530</u>	<u>2,250</u>
EXPENDITURE				
Grants & contributions	6,000	12,000	15,000	(3,000)
Property & Miscellaneous Costs	165	5000	165	(4835)
TOTAL EXPENDITURE	<u>6,165</u>	<u>17,000</u>	<u>15,165</u>	<u>(4,835)</u>
Income less Expenditure	<u>9,715</u>	<u>6,280</u>	<u>10,365</u>	<u>7,085</u>

**APPENDIX THREE
Dornoch Common Good Fund
Budget 2016/17**

	2016/17	2015/16
INCOME	£	£
Rents	21,530	22,280
Interest	1,000	1,000
TOTAL INCOME	<u>22,530</u>	<u>23,280</u>
EXPENDITURE		
Grants and Contributions	12,000	12,000
DADCA Award	50,000	-
Miscellaneous	5,000	5,000
TOTAL EXPENDITURE	<u>67,000</u>	<u>17,000</u>
Income less Expenditure	<u>(44,470)</u>	<u>6,280</u>