

The Highland Council

City of Inverness Area Committee – 1 December 2016

Agenda Item	14(a)
Report No	CIA/56/16

Inverness Common Good Fund Annual Report 2015/16

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

Summary

This report presents the audited accounts for financial year 2015/16. Expenditure is within budget, with income higher than expected due to a refund of grant from Creative Scotland, and an unanticipated compensatory payment. Fewer reserves than anticipated had to be realised to fund major projects which included important ongoing work to 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 2015/16.
- 1.2 Income from rents amounted to £2.027m and exceeded budget by £0.005m. The outturn before capital projects shows a surplus of income over expenditure of £0.585m. This is largely due to income received on investments of £0.251m which is re-invested with our Fund Managers and as such is unbudgeted for revenue account purposes. An underspend on Grants of £0.267m also contributed to this surplus. The revenue balance of £0.585m helped fund the cost of Projects of £2.847m. 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 £1.446m is £0.011m over budget. The greater level of income is due to the commercial portfolio performance exceeding expectations.
- 2.2 Rents - Victorian Market
Income received during the year of £0.271m was £0.013m less than budgeted. This reflects gaps in tenancy during a period of change in the Market.
- 2.3 Rents - Other Properties
The budgeted rental income for other properties is based on projected rentals. Given the vacant space at 1-5 Church Street and the low demand for city centre office suites, the rental income for 1-5 Church Street was difficult to budget. Actual rental income received in the year however, exceeded these estimates by £0.007m.

- 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 – Grant Refund and Compensatory Payment
During the year an unanticipated refund of £0.028m was received in respect of a grant previously issued in support of the former Ramada project. In addition, the sum of £0.018m was received from Highland Council in compensation for the failure to timeously collect rent from the tenant at Grant Street Park.
- 2.6 Other Income - Income from Investments
As in previous years, investment income from the ICGF Property and Share Portfolio amounting to £0.251m has been received and re-invested.
3. Variances – Expenditure
- 3.1 Victorian Market
The underspend of £0.046m was as a result of lower than anticipated maintenance costs subsequent to the refurbishment of the roof.
- 3.2 Town House Maintenance
The overspend of £0.049m is predominately due to approved expenditure on the upgrading of the Castle Street Car Park Barrier system (£0.015m), boiler upgrade and fire protection measures (£0.020m) and storage costs for Artwork as a result of the refurbishment programme.
- 3.3 Other Properties
The underspend of £0.040m is due to planned maintenance work being carried forward to 2016/17.
- 3.4 Civic and Conference Hospitality
The underspend of £0.009m relates to hospitality where funding was agreed during 2015/16 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 2016/17.
- 3.5 Winter Payments
The overspend of £0.044m is due to the second payment in respect of the Winter Payment Scheme for 2014/15 being made later than expected and therefore charged to 2015/16.
- 3.6 Inverness Common Good Fund Grants
The original budget of £0.472m comprised £0.122m for grants committed prior to 2015/16, and £0.350m for 15/16 grant approvals. The underspend relates largely to projects where funding has been agreed before or during 2015/16 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 £0.267m for grants committed during or prior to 15/16 was rolled forward into the 2016/17 budget.
- 3.7 Conference Support
The underspend of £0.027m relates to grants for conferences where funding has been agreed before or during 2015/16 but where all or part of the actual expenditure did not take place before the end of the current financial year. The sum of £0.027m

for grants committed during or prior to 2015/16 was rolled forward into the 2016/17 budget.

3.8 City Promotions

The overspend of £0.018m relates to the additional expenditure approved by Committee in respect of the successful Scottish Cup Campaign by Inverness Caledonian Thistle FC and the additional unanticipated expenditure agreed after the Academy Street Fire.

3.9 Events & Festivals

The underspend of £0.009m is due to the unanticipated receipt of an additional grant payment from an external body

3.10 Other Charges

The underspend of £0.014m is due to expenditure being met from other budget heads.

4. Variances – Projects

4.1 Expenditure totalled £2.847m, which was £0.567m less than budget. This is largely due to expenditure on the Town House Refurbishment and Inverness City Arts being rescheduled to 2016/17.

4.2 *Town House Refurbishment*

The underspend of £0.376m is due in part to the sum of £0.175m being received early from Historic Environment Scotland. The remaining underspend was as a result of the project being delayed due to additional works being required. The Project remains on target to meet the agreed overall budget.

4.3 *Refurbishment 1-5 Church Street*

The underspend of £0.041m is due to contract retention payments. Retention is due to be paid Feb 2017.

4.4 *Inverness City Arts Project;*

The underspend of £0.114m relates to the balance of the Common Good Funds planned contribution of £0.175m to the wider Inverness City Arts Project. It is expected that this remaining contribution will be made in 2016/17, subject to the completion of the planned project activities.

4.5 *Victorian Market – Opportunities for Improvement*

The underspend of £0.036m relates to the additional consultation being undertaken through the Victorian Market Stakeholders Group which has caused spend to be put back to 2016/17.

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 (£21.669m).
- 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 (£1.906m) and when added to the book value of the investments (£5.302m) gives the total market value of investments at 31 March 2016 (£7.208m).
- 5.5 Usable reserves comprise Revenue Funds and represent the actual funds available (£5.497m). They are represented by the book value of the investment portfolio (£5.302m) and short term deposits, sundry debtors and sundry creditors at the year-end (£0.195m).

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 2016.

Designation: Director of Finance and Inverness City Area Manager

Date: 18 November 2016

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**MONITORING STATEMENT 2015/16
INVERNESS COMMON GOOD FUND
FOR PERIOD ENDING 31 MARCH 2016**

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	VARIANCE
	£000	£000	£000
INCOME			
Rents			
Industrial Estates	1,446	1,435	(11)
Victorian Market	271	284	13
Town House	253	253	0
Other Properties	57	50	(7)
	<u>2,027</u>	<u>2,022</u>	<u>(5)</u>
Other Income			
Grant Refund - Creative Scotland	28	0	(28)
Compensatory Payment	18	0	(18)
Contribution to Grants from Reserves	0	148	148
Interest on Revenue Balances	1	5	4
Income on investments	251	0	(251)
TOTAL INCOME	<u><u>2,325</u></u>	<u><u>2,175</u></u>	<u><u>(150)</u></u>
EXPENDITURE			
Victorian Market	139	185	(46)
Town House Maintenance	149	100	49
Other Properties	90	130	(40)
Civic and Conference Hospitality	123	132	(9)
Ness Islands & Bank Maintenance	33	35	(2)
Festive Lights	65	65	(0)
Town Twinning	7	9	(2)
Winter Payments	129	85	44
Inverness Common Good Fund Grants	205	472	(267)
Conference Support	27	54	(27)
City Promotions	52	34	18
Disabled Go Project (2013-18)	8	8	0
Castle Wynd Conveniences	15	16	(1)
Partnership Working - BID	110	112	(2)
Events & Festivals	311	320	(9)
CCTV	85	90	(5)
Property Management Fees	121	121	0
Central Support Charge	60	60	(0)
Other Charges	0	14	(14)
Town House Other Costs	11	11	(0)
TOTAL EXPENDITURE	<u>1,740</u>	<u>2,053</u>	<u>(313)</u>
Income Less Expenditure	<u><u>585</u></u>	<u><u>122</u></u>	<u><u>(463)</u></u>
PROJECTS			
Town House Refurbishment	1,000	1,376	(376)
Refurbishment 1-5 Church Street	1,672	1,713	(41)
Inverness Castle	100	100	0
Inverness City Arts Project	61	175	(114)
Victorian Market - Opportunities for Improvement	14	50	(36)
TOTAL PROJECTS	<u><u>2,847</u></u>	<u><u>3,414</u></u>	<u><u>(567)</u></u>

APPENDIX 2

INVERNESS COMMON GOOD FUND

2014/15 £	Balance Sheet	2015/16 £
	<u>Non current assets</u>	
22,117,045	Investment properties	21,669,000
9,853,586	Investments at valuation	7,207,886
2,063,374	Heritage Assets	2,063,374
<u>34,034,005</u>		<u>30,940,260</u>
	<u>Current assets</u>	
310	Sundry debtors	270,732
522,273	Loans fund deposits	99,293
<u>522,583</u>		<u>370,025</u>
	<u>Current liabilities</u>	
(362,005)	Sundry creditors	(175,185)
<u>(362,005)</u>		<u>(175,185)</u>
<u>34,194,583</u>	Total assets	<u>31,135,100</u>
	Usable reserves	
6,379,514	Revenue funds	5,496,791
	Unusable reserves	
2,063,374	Revaluation reserve	2,063,374
22,117,045	Capital adjustment account	21,669,000
3,634,650	Available for Sale Reserve	1,905,935
<u>27,815,069</u>		<u>25,638,309</u>
<u>34,194,583</u>	Total reserves	<u>31,135,100</u>