

Agenda Item	10e
Report No	RC/042/16

Tain Common Good – Annual Accounts and Quarter 2 Monitoring Report

Joint Report by the Depute Chief Executive and Director of Corporate Development and Director of Finance

Summary

This report invites Members to note the Tain Common Good Fund Annual Accounts for 2015/16 and Second Quarter Monitoring Statement for 2016/17. Members are also asked to agree that delegated powers be given to the Director of Development and Infrastructure in consultation with the Area Chair and Ward Members in relation to bids received for the lease of the fishery and the mussel boat repairs and MCA inspection.

1. Annual Report

1.1 Appendix 1 of this report shows the Income and Expenditure Account and Balance Sheet in respect of the Tain Common Good Fund for Financial Year 2015/16.

1.2. Expenditure

1.2.1 Key points to note in relation to expenditure are that:

The biggest expense in relation to property expenditure relates to the cost of the CCTV (£5,424) but there has also been just over £4,000 spent on fencing works for Tain links. The spend is lower than the budget originally set for 2015/16.

1.2.2 The Members will recall that the Alexandra Bridge has been refurbished and the £266,285 spend shown relates to that. The project was completed earlier this calendar year and the bridge is open.

1.2.3 The depreciation and amortisation shown relates to two elements. The mussel boat is depreciated by £9,000 and this is reflected in the reduced value of plant and equipment shown in the Balance Sheet for non-current assets. The fishing licence is amortised by £960. This is reflected in the reduction in value of the intangible assets shown on the Balance Sheet.

1.3. Income

1.3.1 Income was broadly in line with what was expected although Income from interest and investment properties was slightly lower than expected. One of the grazing areas could not be let as the fence was inadequate and this also slightly reduced the income.

- 1.3.2 The biggest area of income is grant income towards the Alexandra Bridge. £124,227 was received in 2015/16 as shown. The remaining £29,668 from Historic Environment Scotland was originally profiled as coming in spread over 2015/16 and 2016/17 but has in fact come in in the current financial year as shown in the monitoring statement.

1.4 Balance Sheet

- 1.4.1 The revaluation gain of £8,500 relates to an increase in the value of Common Good Fund Investment Properties following a revaluation exercise carried out as at 31 March 2016. As noted in 1.2.3 the mussel boat has been depreciated by £9,000 and the licence amortised by £960, and this is reflected in the reduced balances for Plant and Machinery and Intangible Assets respectively. The value of heritage assets has increased by £265,964 which reflects the capital spend in the year on the Alexandra Bridge.

2. Monitoring Statement to end of September 2016

- 2.1 A monitoring statement showing transactions against budget to the end of September 2016 is attached as Appendix Two.

2.2 Income

- 2.2.1 Income from the Market Street stalls is on track whilst the full grazing rentals for the year have been paid. There were no charged occasional lets of Tain Links this summer so the other income outturn is now anticipated to be nil.
- 2.2.2 All income due towards the Alexandra Bridge refurbishment has now been received – this is made up of the £29,668 remaining Historic Environment Scotland grant plus the £26,406 Council Capital Discretionary Fund Grant approved in March 2016.
- 2.2.3 No income is currently shown for the mussel fishery but once it is advertised and let an appropriate anticipated income figure can be included. More information regarding the process being undertaken to lease the fishery is included in the section below on expenditure.
- 2.2.4 Members may recall from the August 2016 meeting that the Kyle of Sutherland fisheries are due to be let under a conservation lease with provision for the rent to be suspended if a fishing ban is in place. Terms have now been agreed and it is anticipated the lease will be signed up shortly. The rent is £500 per annum when no bans are in place so the next monitoring statement will be amended to show income due once the start date of the lease is known.

3. Expenditure

3.1 **Property Costs** - There have been very little property costs incurred so far except for the repair of a vandalised gate. The CCTV costs of £5,400 are still due. There may be other property costs such as tree work but nothing is as yet committed. It may therefore be possible to reduce the £15,500 budget allocation for property costs. This will be brought to Members as required in the next monitoring report.

3.2 **Alexandra Bridge** As noted earlier in the report the Alexandra Bridge refurbishment is complete. The only remaining amount due is the contract retention fee due later this year which will be within the estimated outturn shown.

3.3 **Mussel Fishery** - The fishery costs shown in the monitoring statement £4,983 are made up partly of the costs associated with running the fishery during April plus the pier rental dues of £100 per week which continue to be due.

3.3.1 However the mussel fishery costs require to be considered in light of the current position in relation to leasing out the fishery and the potential to lease the boat. As noted in the 2016 Quarter 1 monitoring report expert advice and support is required in order to progress the leasing of the fishery. This has been commissioned by the Development and Infrastructure Service and includes the provision of advice and support for the transition to a third party lease, the setup of the classification sampling and algal toxin monitoring systems and a stock survey the results of which will inform the areas of the fishery that can be sustainably fished. The tender specification is attached as Appendix 3 for Members' information. As the Gizzen Briggs could not be used as the MCA certificate had expired all the tenders received included an allowance for the cost of a boat. The cheapest tender for the work was received from Herriot Watt and was £14,216. Their work is underway; intertidal mussel surveys have been completed, samples are being processed and the report should be completed relatively soon which will inform the lease advert.

3.3.2 It is anticipated that the lease of the fishery, with an option relating to the boat, can be put out to advert within one month of the time of writing the report. In order to allow a potential lease to start as soon as possible Members are asked to agree that the decision on the bids received for the lease of the fishery, with or without an option to lease the boat, be delegated to the Director of Development and Infrastructure in consultation with the Area Chair and Ward Members

3.3.3 Meantime the estimated outturn for the fishery monitoring statement has been amended to £22,000 to reflect the cost of the advice, sampling and survey work along with the pier dues and costs associated with fishing during April 2016.

3.4 The Mussel Boat

3.4.1 In April 2016 Members agreed that the boat should be stored so that local interest could be gauged. Initial contacts indicate that there is likely to be some local interest in leasing the boat albeit there is not sufficient information as yet to indicate whether or not this would be at a realistic rate to cover all costs and ensure the boat is kept in a good condition.

- 3.4.2 The Council's Harbours Manager has been providing advice in relation to the boat. Members may recall that the boat's MCA certificate had expired at the end of May. The cost of repairs likely to be required to get the MCA Safety Certificate renewed is estimated to be approx. £10,000 plus approx. £1,500 for the cost of the inspection itself. In addition there may be some deck and hydraulic equipment repairs required and estimated costs for these are also being sought.
- 3.4.3 It is recommended that the decision as to whether or not to carry out these repairs and the MCA inspection should be held until there is sufficient information to determine whether or not leasing the boat along with the fishery is a viable option. In the meantime due to her safety certificate expiring the boat cannot now put to sea without the permission of the MCA which is unlikely to be forthcoming until such time as the safety work is done.
- 3.4.4 As Members know the boat has been taken to the Helmsdale Harbour which is a well sheltered harbour. If the MCA inspection is requested it means that the boat can be inspected in the water as is required. The Harbours Manager is checking the feasibility of lifting the boat out of the water at Helmsdale for the winter for additional security and hull inspection and maintenance. This would also save the cost of moving her to a boat yard.
- 3.4.5 To inform potential future decisions valuations have been requested both as it stands but also on the basis of the safety works being carried out and the MCA safety certificate being obtained.
- 3.4.6 When the budget was set for 2016/17 £15,000 was set aside for works to the mussel boat. Whilst this was based on the assumption of the fishery being operated in-house it is recommended that the budget be retained for the repairs should this provide the best value way forward.
- 3.4.7 The Committee is asked to agree that the decision as to whether or not the repairs and safety inspection should be undertaken be delegated to the Director of Development and Infrastructure on consultation with the Chair and Ward Members. This decision will be informed by the valuations of the boat and by any bids put in to lease the boat.

4. Implications

- 4.1 There are significant resource implications in relation to the mussel fishery. Historically the fishery provided an excellent income stream for the Common Good. However following a number of poor years Members agreed to cease the in house operation in favour of leasing the fishery to a 3rd party operator. This will enable the risk to be managed. There are set up costs on terms of advice needed which will impact on the Common Good and reduce reserves. However the aim is to get a lease agreement that results in regular income without the risk of deficit. In this context the use of reserves is deemed appropriate and is affordable – the balance of Usable Reserves at 31 March 2016 was £237,082

- 4.2 If repairs are carried out on the boat in order to obtain a renewed MCA inspection and to allow use of the boat for the fishery operation there will be a capital cost, likely to be in the region of £15,000 which will impact on the reserves. However the report recommends that this only be done if it is the best value for the Common Good Fund in the context of the boat's value and the level of interest in leasing the boat.
- 4.3 There are no Equalities, Climate Change/Carbon Clever, Legal, Financial, Gaelic, Risk or Rural Implications.

Recommendations

The Committee is invited to:

- i. Scrutinise and note the Tain Common Good Fund Annual Accounts for 2015/16;
- ii. Scrutinise and note the position of the Tain Common Good Fund as shown in the Quarter 2 Monitoring Statement against budget;
- iii. Agree that the decision on the bids received for the lease of the fishery, with or without an option to lease the boat, be delegated to the Director of Development and Infrastructure in consultation with the Area Chair and Ward Members; and
- iv. Agree that the decision as to whether or not the mussel boat should be repaired and an MCA inspection requested be delegated to the Director of Development and Infrastructure in consultation with the Area Chair and Ward Members.

Designation: Michelle Morris, Depute Chief Executive and Director of Corporate Development
Derek Yule, Director of Finance

Date: 13 October 2016

Author: Helen Ross, Senior Ward Manager, CSER
Vicki MacDonald, Accountant

Appendix One

STATEMENT OF AUDITED ACCOUNTS 2015-16

Tain Common Good Fund

Income and Expenditure Account	2015/16	2014/15
	£	£
Expenditure		
Property costs	11,338	6,605
Legal fees	0	586
Administration charges	900	903
Rent and Rates	1,338	850
Alexandra Bridge Repair works	266,285	22,010
Condition Survey	0	4,351
Tain Mussels net expenditure	17,225	27,214
Depreciation and Amortisation	9,960	10,400
Total expenditure	<u>307,046</u>	<u>72,920</u>
Income		
Rents	6,150	7,723
Other income	1,012	7,050
Interest and investment income	1,624	1,827
Grants and Contributions - Alexandra Bridge	124,227	-
Total income	<u>133,013</u>	<u>16,599</u>
Surplus/(deficit) for the year	(174,033)	(56,321)
Revaluation Gains	8,500	59,734
Unrealised gains on investments	265,964	70,134
	<u>274,464</u>	<u>129,868</u>
Total comprehensive income and expenditure	<u><u>100,431</u></u>	<u><u>203,416</u></u>

Balance Sheet	31/03/16 £	31/03/15 £
Non current assets		
Investment properties	266,000	257,500
Plant and Machinery	184,000	193,000
Heritage	360,398	94,434
Intangible asset	14,040	15,000
	<u>824,438</u>	<u>559,934</u>
Current assets		
Sundry debtors	250	-
Loans fund deposits	238,411	401,154
	<u>238,661</u>	<u>401,154</u>
Current liabilities		
Sundry Creditors	-	-
Amounts due to other local authorities	(1,579)	-
	<u>(1,579)</u>	<u>-</u>
Total assets	<u>1,061,520</u>	<u>961,088</u>
Usable reserves		
Revenue funds	237,082	401,154
	<u>237,082</u>	<u>401,154</u>
Unusable reserves		
Revaluation reserve	94,434	94,434
Capital adjustment account	730,004	465,500
	<u>824,438</u>	<u>559,934</u>
Total reserves	<u>1,061,520</u>	<u>961,088</u>

Tain Common Good - Quarterly Monitoring (Q2)
Period to 30 September 2016

Appendix 2

	Actual to date	Budget	Estimated Outturn	Estimated Variance
	£	£	£	£
INCOME				
Rents	4,254	6,805	7,150	345
Other income	-	350	-	(350)
Interest and investment income	-	2,175	2,175	-
Mussel Surplus	-	-	-	-
Alexandra Bridge	56,075	9,890	56,075	46,185
TOTAL INCOME	<u>60,329</u>	<u>19,220</u>	<u>65,400</u>	<u>46,180</u>
EXPENDITURE				
Property costs	999	15,500	15,500	-
Central Support Charges	-	1,000	1,000	-
Alexandra Bridge Repair work	22,188	4,250	25,450	21,200
Tain Mussel Fishery	4,983	-	22,000	22,000
Tain Mussel Fishery Boat	-	15,000	15,000	-
TOTAL EXPENDITURE	<u>28,170</u>	<u>35,750</u>	<u>78,950</u>	<u>43,200</u>
Income less Expenditure	<u><u>32,159</u></u>	<u><u>(16,530)</u></u>	<u><u>(13,550)</u></u>	<u><u>2,980</u></u>

Appendix 3

Tain Mussels Brief 17/06/16

To provide specialist advice to the Highland Council, Development and Infrastructure service in respect of the following:

- 1) To advise on the operation of the Tain Mussel Fishery, in the Dornoch Firth in its transition from a Council run commercial fishery to a situation where the fishing rights within the firth are offered for lease.
- 2) Such advice to include, but not be limited to:
 - a. Set up of process to ensure that classification sampling is undertaken on a monthly basis in order to ensure that the fishery maintains its current harvesting classification and the collection of such samples where applicable.
 - b. Set up of a process to ensure that algal toxin monitoring sampling is undertaken in the weeks preceding the opening of the fishery under a lease arrangement, and the collection of such samples where applicable.
 - c. Use the results of a stock assessment to provide advice to the Highland Council / Tain Common Good Fund as applicable to in relation to the areas of the fishery that could be sustainably harvested subject to market demand.
 - d. Assist in making arrangements for the lease or sale of the mussel fishing vessel, The Gizzen Briggs as and when required. This to include but not be limited to liaison with Marine Scotland and MCGA and other parties in relation to the vessel.
- 3) Undertaking or advising in the commissioning of a stock survey. Such to investigate the current status of mussel stocks within the mussel fishery area, as set out on the attached plan. Such stock survey to provide details of the current location of mussel beds, the size frequency, meat yield, % cover and an estimate of the potential quantities of mussels available for harvest and in what area. Stock survey should also provide a qualitative assessment of the mussels in terms of shell appearance, biofouling, and the appearance of the cooked mussel meats. A written report to be provided which should include photos/video stills of mussel stock in situ, maps and plans relating the video to the location within the fishery and figures plans and diagrams to support the discussion and assessment.