

The Highland Council

Ross and Cromarty Committee – 3 February 2016

Agenda Item	<b>8e</b>
Report No	<b>RC/012/16</b>

**Tain Common Good Fund – Quarter 3 Monitoring Report 2015/16 and Budget Setting 2016/17**

**Joint Report by the Head of Policy & Reform and the Director of Finance**

### **Summary**

This report invites Members to:  
scrutinise and note the Tain Common Good Fund (TCGF) Quarter 3 monitoring report for 2015/16;  
approve a budget for the Tain Common Good Fund for 2016/17 and;  
agree that officers accept the highest bids received for Common Good grazing lets due to be advertised.

#### **1. Quarter 3 Monitoring Statement for 2015/16**

1.1 **Appendix I** of this report shows the Quarter 3 Monitoring Statement for 2015/16 in respect of the Tain Common Good Fund.

#### **1.2 Quarter 3 Monitoring Statement - Income**

1.2.1 There is no significant variation expected in relation to income from rents and interest and investments against budget.

1.2.2 Grant income of £124,227 has been received in relation to the Alexandra Bridge against an expected £153,895. The gap of £29,668 is the remaining grant due to be drawn down from Historic Environment Scotland (HES). £19,779 will be drawn down in the near future once final costs are fully established, with the last 10% of grant (£9,890) due to be paid when final project accounts are submitted. As a result the anticipated income out turn for 2015/16 has been reduced by £9,890 but the budget for 2016/17 includes this.

#### **2. Quarter 3 Monitoring Statement – Expenditure**

2.1 **Property Costs** have been substantially lower than expected with only £2,536 incurred so far. This is largely because no tree work has been undertaken. The final outturn is therefore not anticipated to be over £5,000 at most.

#### **2.2 Alexandra Bridge –**

2.2.1 Work to refurbish the Alexandra Bridge which started in May 2015 is now largely complete and Members will see that the spend to date is very close to the budget set. However, although most of the work progressed well,

albeit taking longer than expected, the contingency sum set aside has been required and in addition to that some of the final elements of work have not proved satisfactory. These relate to the coating used to protect the side panels of the bridge and also to the way in which these side panels are fixed. More detail on these factors is outlined below and the estimated outturn of 2015/16 has been amended to reflect the additional spend already incurred/committed.

- 2.2.2 From the outset it was recognised that this was an unusual project and that because of this and because some elements of the structure could not be inspected prior to the work (such as the foundations, lower tower sections and ground sections below the main support anchorages) a contingency of £50,000 be set aside. This sum has been fully utilised. The most significant call on the contingency related to repairs to the primary suspension ropes. An allowance had been made for repair work to these ropes but some elements turned out to be very significantly corroded. In keeping with the ethos of conservation only the most damaged sections were replaced and the new sections of rope spliced into the original rope. Additional costs were also incurred as a result of the much greater than expected quantity of wrought iron required which meant that the contract time had to be extended.
- 2.2.3 The side panels to the bridge which were in place before work started had to be replaced. They were not original to the bridge, were not in keeping with its character and Listed status, and were in a dilapidated state. In consultation with Historic Scotland (now HES) a diagonal style of mesh frame was chosen. This has resulted in problems in terms of maximum achievable panel size, the fixing method to the structure and between panels, and with application of the protective coating. The coating has been noted to the contractor as defective and they are currently in discussion with the powder coating supplier to find a solution. Once such a solution has been designed, it will be forwarded to HES for comment, prior to instructing an agreed installation. It is likely that this work will be carried out in April 2016 so the cost implications, once known, need to be reflected in 2016/17 rather than in 2015/16.
- 2.2.4 The fixing of the panels is a separate issue. The method of fixing agreed with the contractor has proved insufficient to accommodate the flexing of the bridge that occurs. The TCGF engineer and contractor are currently reviewing this and seeking an alternative long term solution. In the meantime, to allow the Bridge to remain open for safe use, plastic ties are being used as an interim measure to reinforce the susceptible joints. In order to maintain public safety we are returning regularly to inspect the panels and securing same if there have been any failures. There will be some additional costs incurred to put a satisfactory solution in place but until we have agreed exactly what the solution is it is not possible to confirm the amount. It is likely that this work will be carried out in April 2016 (to avoid the potential impact of poor weather) so the cost implications, once known, need to be reflected in the 2016/17 budget rather than in 2015/16. Members will

however be kept up to date at Ward level and through future reports. If costs increase by more than 10% of the sum allowed further approval will be required but it is hoped that costs can be contained within 10%.

- 2.2.5 The ongoing work includes side panel design, consultation with HES, and advice from a historic metalwork consultant as required by HES as a condition of their Grant to the scheme. The estimated out turn includes an assumed sum of £7,500 in relation to this.

### 2.3 **Mussel Boat Capital Expenditure**

As noted to the Committee in November 2015 a vessel monitoring system has been purchased. However other work required has not yet been carried out and the budget set aside for this therefore remains. However it is anticipated that some of the required work, including slipping, painting and replacement of anodes, will be commenced shortly. A revised outturn of £17,400 is therefore shown with the remainder of the budget being carried into 2016/17. This work will help to maintain the value of the boat.

### 2.4 **Mussel Fishery Deficit**

Members will be very familiar with the challenges that face the mussel fishery. When the budget for 2015/16 was set it was assumed a breakeven position would be achieved. There have been some sales but the deficit shown to the end of December is £16,429. Ward Members and the Chair of Tain Community Council were briefed in December 2015. However another load is due to be dispatched in February and Development and Infrastructure staff are pursuing orders for the remainder of the financial year with a view to meeting the breakeven position. Local members and the Committee will be kept up to date with performance and recommendations for future action.

## 3. **2016/17 Budget**

- 3.1 A proposed budget for 2016/17 is set out in **Appendix 2** to this report.

### 3.2. **Anticipated Income**

- 3.2.1 **Rental Income** – Rental income comes principally from the Market Street stalls, let in two lots. Both are currently let with rental agreements in place. A small amount of income is also received from 2 areas of grazing which are let by open advertisement in March each year. Members are asked to agree that the highest bids received be accepted. Overall the total income anticipated from these sources in 2016/17 is £6,805.

- 3.2.2 **Other Income** – This includes minor fees and other charges such as the occasional let of Tain Links. An income of £350 is anticipated.

- 3.2.3 **Mussel Fishery** – As Members are aware 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. As noted in paragraph 2.4 above it is

hoped that the fishery will achieve a break even position in 2015/16. It is proposed that the same be anticipated for 2016/17. However the position will be reviewed in the light of performance to the end of March 2016 and information brought to members through these reports. Ward members and the Community Council will also continue to be kept up to date via briefings from the Head of Environment and development.

3.2.4 **Grant income** – this relates to the Alexandra Bridge. The total grant approved by Historic Environment Scotland towards the Bridge Refurbishment is £98,895. The last 10% draw down can be claimed once final contract accounts are available. As the work has taken longer than expected this will not be drawn down until 2016/17.

3.2.5 **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 2016/17.

#### **4. Anticipated Expenditure**

4.1.1 **Property charges and maintenance** (excluding Alexandra Bridge)  
Details of anticipated expenditure in relation to property are set out below.

4.1.2 The Market Street units are let on full repairing leases so no expenditure is anticipated in 2016/17. The grazings are let each year on a 364 day grazing let. No expenditure is anticipated in relation to the grazings.

4.1.3 There is an annual charge included under property to cover the cost of monitoring the town's CCTV systems of just under £5, 500.

4.1.4 There are occasional costs related to the areas such as Tain Links, e.g. fencing repairs, tree management etc. There are also minor costs related to building insurance and electricity costs. It is recommended that £10,000 be set aside for these items bringing the total property budget to £15,500.

#### **4.2 Mussel Fishery**

4.2.1 As noted in paragraph 2.3 above the maintenance and repair work required to the mussel fishing boat will be started in the current financial year. However a budget of £15,000 has been set for 2016/17 to allow for the completion of the works required.

4.2.2 Clearly a situation where the fishery generates repeated deficits is unsustainable and detrimental to the Common Good Fund. As noted in the Quarter 3 monitoring above a breakeven position is still considered achievable in the current year. Ward Members will receive regular updates and a meeting is planned shortly after the close of the financial year to consider options for 2016/17. The outcome of that meeting and any recommendations will be brought to Members for consideration.

#### 4.3 **Alexandra Bridge Refurbishment**

4.3.1 There will be costs incurred in relation to the side panels as outlined in section 2.2 above. However until a solution is agreed with HES it is not possible to set a budget for the work. It is recommended that the budget set be adjusted by an appropriate sum to allow for the panel work to be completed once the design solution is agreed. The budget sum shown at present contains only an allowance for construction contract retention monies which will fall due for payment in financial year 2016/17. The amount may be expected to be around £4,250, with the precise figure being 1.5% of the final contract value.

4.4 **Grants to the Community** - given the current income position it is recommended that a nil budget for Common Good grants should be made for 2016/17.

### 5. **Implications**

5.1 **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.

5.2 **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 £53,578 anticipated in 2015/16. However the Alexandra Bridge funding package was approved in order to maintain the asset and the implications for balances considered at that time. Although it is now anticipated that costs will be higher than allowed for within the budget the completed work will bring the asset into good and safe condition. If the contract costs are more than 10% over the budget approved, additional approval will be sought as required. The operation of the mussel fishery also has financial risks attached. A breakeven position is currently anticipated for this financial year and next but given the potential impact of market changes the potential for closures due to toxins this cannot be guaranteed. However as the report notes performance will continue to be closely monitored and members kept up to date.

5.3 Risk –The mussel fishery operations represent a risk given recent trading performance and the external variables that can affect performance. This risk is monitored and members will be kept up to date. Meantime costs are contained as far as is possible.

5.4 There are no Carbon Clever/Climate Change, Rural or Gaelic implications.

**Recommendation**

The Committee is invited to:

- i. Scrutinise and note the Quarter 3 Monitoring Statement for 2015/16 contained in Appendix One.
- ii. Delegate authority to officers to accept the highest bids received for the grazing lets
- iii. agree the Tain Common Good Fund budget for 2016/17 detailed within the report and Appendix Two.

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

Date: 19 January 2016

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## Appendix 1

### Tain Common Good - Quarterly Monitoring (Q3) Period to 31 December 2015

Income	Actual to date £	Budget £	Estimated Outturn £	Estimated Variance £
Rents	4,675	6,805	6,805	-
Other income	80	350	350	-
Interest and investment income	-	2,175	2,175	-
Alexandra Bridge	<u>124,227</u>	<u>153,895</u>	<u>144,005</u>	<u>(9,890)</u>
<b>Total Income</b>	128,982	163,225	153,335	- (9,890)
<b>Transfer from Reserves</b>	-	112,105	112,105	-
<b>Total Income</b>	<u>128,982</u>	<u>275,330</u>	<u>265,440</u>	<u>(9,890)</u>
<b>Expenditure</b>				
Property costs	2,536	17,000	5,000	(12,000)
Central Support Charges	-	1,000	1,000	-
Alexandra Bridge Repair works	265,605	266,000	295,618	29,618
Mussel Boat	2,400	32,500	17,400	(15,100)
Mussel Fishery Deficit	<u>16,429</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditure</b>	286,970	316,500	319,018	2,518
<b>Income less Expenditure</b>	<u>(157,988)</u>	<u>(41,170)</u>	<u>(53,578)</u>	<u>- (12,408)</u>

## Appendix 2

	2016/17 Proposed Budget
<b>Income</b>	
Rents	6,805
Miscellaneous	350
Interest and investment income	2,175
Mussel income	0
Historic Environment Scotland Grant	9,890
Total income	<hr/> 19,220
<b>Expenditure</b>	
Property Costs	15,500
Central Support Charge	1,000
Mussel Boat expenditure	15,000
Grants	0
Alexandra bridge Refurbishment (tbc)	4250
Total	<hr/> 35,750
<b>Surplus/(deficit) for the year</b>	<hr/> <b>-16,530</b>