

Agenda Item	10
Report No	CIA/41/18

HIGHLAND COUNCIL

Committee: City of Inverness Area Committee

Date: 30th August 2018

Report Title: Burial Ground Commutation Fund

Report By: Depute Chief Executive and Director of Corporate Resources
Inverness City Area Manager

1. Purpose/Executive Summary

- 1.1 The report provides the additional information requested by Members in relation to the Inverness Burial Commutation Fund following the increase in annual maintenance recharge and work programme for 2018/19 approved at the City of Inverness Area Committee meeting on 31st May 2018.
- 1.2 The report also provides an analysis of the financial performance of the fund over a 5 year period

2. Recommendations

- 2.1 Members are asked to:
- i. note the position in relation to the Inverness Burial Commutation Fund.
 - ii. note the analysis of the fund's financial performance.
 - iii. approve the recommendation that for three years from 2019/20 the annual value of works undertaken by Community Services should be capped at the level of the Fund's annual income earned and a moratorium on any additional capital works should be applied with a review in three years.

3. Background

- 3.1 The Commutation Fund may only be used for the maintenance and improvement of the burial grounds in the City of Inverness and Area Wards. Historically this has been achieved by a set annual charge being made against the fund to support Community

Services together with additional funding to complete a listed programme of works.

- 3.2 From 2013 until 2017 the annual recharge was £25,000. On 31st May 2018 the City of Inverness Area Committee agreed to increase the annual sum currently allocated to Community Services from £25,000 to £30,000.
- 3.3 From 2013 until 2018 a total of £230,521 has been drawn down from the fund to meet the actual cost of works completed against an approved programme over the same time period totalling £371,746. The balance of £141,225 will be paid out when the remaining approved works have been delivered
- 3.4 Further, the meeting on 31 May 2018 approved a budget of £143,550 to meet the work programme for 2018/19 thus taking the total of approved expenditure in the 6 year period to £515,296. This level of funding will have an impact on the continuing available reserves in the fund.

4. Financial Performance and Impact on the fund

- 4.1 **Appendix 1** details an income and expenditure statement and balance sheet for the fund covering the 5 year period 2013/14-2017/18.
- 4.2 Over the period covered, income generated by the fund's investment has remained fairly stable.
- 4.3 Investment movements net of investment management fees represent changes in the underlying cost value of the investments as a result of fund manager investment decisions. This is illustrated via the changes in the investments at cost shown on the balance sheet.
- 4.4 Other than at the end of 2017/18 the fund remained in an annual surplus position, The deficit at the end of 2017/18 was a result of the timing of recharges to the fund without time to instruct the investment manager to liquidate investments before 31 March 2018.
- 4.5 The report before the City of Inverness Area Committee on 31st May 2018 appended a statement showing the impact on the reserves of the proposals contained in that report. Further copy attached at **Appendix 2**.
- 4.6 The statement shows that, after the disinvestment necessary to meet the 2017/18 deficit and work programmes for 2017/18 and 2018/19, the cost value of the investments will reduce significantly from £839,210 to £544,660, subject to no further movements in the investment portfolio.
- 4.7 Investment income earned and credited in April 2018 was £35,769 which would be sufficient to meet the new annual charge of £30,000 and leave a surplus balance. However there is a possibility that the annual income generated by the fund could fall below this level, which would lead to a liquidation in the investments to meet the required balance.
- 4.8 The Commutation Fund is clearly a valuable resource in supporting Community Services in the maintenance of the Burial Grounds and in enabling additional programmed works to take place. However, careful ongoing management is now essential in order to maintain the fund for future use. It is appreciated that Committee approved the increase of the annual charge for 2018/19 however this may need to be reviewed and amended in respect of the following years.

- 4.9 The best option to ensure the ongoing future benefit of this fund is to cap the annual charge to the level of annual income earned and apply a moratorium on any capital works with a review of the moratorium to take place in three years.
- 4.10 Should members agree to the proposed programme of works to be funded by the Fund, Community Services must commit to communicate with the City Manager/Corporate Resources at the earliest possible opportunity as to the likely level of disinvestment required so that the Investment Manager may be instructed to liquidate investments from the portfolio at the most opportune time to have the least impact on the ability of the fund to generate returns.

5.0 Implications

- 5.1 **Resource** – The option detailed at 4.9 has financial implications for Community Services and the maintenance of the Inverness and Area burial grounds however it should allow for the fund to undergo a period of recovery which will ensure its future availability.
- 5.2 **Legal** – The Council's ability to comply with its obligations to maintain burial grounds which may be impacted by the above proposed options.
- 5.3 **Community (Equality, Poverty and Rural)** – The impact on available resources may result in an inequality of maintenance service across the burial grounds with the need for high priority projects to take precedence.
- 5.4 **Climate Change/Carbon Clever** – no implications noted.
- 5.5 **Risk** – no implications noted.
- 5.6 **Gaelic** – no implications noted.

Designation: Derek Yule, Depute Chief Executive and Director of Corporate Resources

Date: 15/08/2018

Author: David Haas, Inverness City Area Manager
Sara Murdoch, Common Good Fund Officer
Steven Wright, Trainee Accountant

Background Papers:

APPENDIX 1

**Inverness Burial Grounds Commutation Fund
Financial Overview 2013/14 - 2017/18**

	2017/18 (Unaudited)	2016/17	2015/16	2014/15	2013/14
	£	£	£	£	£
<u>Income</u>					
Income from investments	16,140	(47,974)	(29,021)	(26,961)	(59,616)
Interest on revenue balances	(122)	(22)	(100)	(376)	(67)
Investment Movements	(83,146)	(23,655)	(60,851)	(20,429)	(83,633)
	(67,127)	(71,651)	(89,973)	(47,766)	(143,315)
<u>Expenditure</u>					
Annual Charge	25,000	25,000	25,000	25,000	25,000
Investment					
Management Fees	6,542	1,445	5,877	5,772	6,245
Works Programme	38,943	4,091	19,885	67,453	100,149
Central Support	814	793	923	2,886	4,015
	71,300	31,329	51,686	101,111	135,408
(Surplus)/Deficit	4,173	(40,322)	(38,287)	53,345	(7,907)
 Balance Sheet					
<u>Non-Current Assets</u>					
Investments at Cost	839,210	763,194	745,858	690,884	676,227
<u>Current Assets</u>					
Sundry Debtors	0	548	0	0	0
Advances to/(from)					
Loans fund	(49,980)	29,660	7,223	23,910	91,912
Total Assets	789,230	793,403	753,081	714,794	768,139
Capital Funds	(347,666)	(271,650)	(254,314)	(199,340)	(184,683)
Revenue Funds	(441,565)	(521,753)	(498,768)	(515,455)	(583,457)
Total Funds	(789,230)	(793,403)	(753,081)	(714,794)	(768,139)

Projected Impact on Reserves

	Investments	Loans Fund Deposits	Total
	£	£	£
Balances at 31/03/2018 (Unaudited)	839,210	(49,980)	789,230
Disinvestment April 2018 to cover 17/18 Deficit	(51,000)	51,000	0
Investment income credited April 2018		35,770	35,770
Draw down for outstanding 17/18 work programme	(100,000)		(100,000)
Maximum draw down for 18/19 Work Programme	(143,550)		(143,550)
Annual maintenance recharge to Community Services		(30,000)	(30,000)
Estimated Balances available 31/03/2019	544,660	6,790	551,450