

Agenda item	10e
Report no	RC/045/18

THE HIGHLAND COUNCIL

Committee: Ross and Cromarty

Date: 1 November 2018

Report Title: Tain Common Good – Annual Accounts and Quarter 2 Monitoring Report

Report By: Derek Yule, Depute Chief Executive and Director of Corporate Resources and Alison Clark, Acting Head of Policy

1. Purpose/Executive Summary

1.1 This report presents the Tain Common Good Fund audited accounts for 2017/18 and the 2nd Quarter monitoring for 2018/19. The report highlights main issues regarding the accounts and the strategy in relation to the overall Fund value.

2. Recommendation

2.1 Members are asked to:

- 2.2
- i. Consider the Tain Good Fund Annual Report for 2017/18;
 - ii. Consider the position of the Tain Common Good Fund (TCGF), as shown in the 2018/19 Quarter 2 monitoring statement against budget.

3. Annual Report

3.1 Appendix 1 of this report shows the Income and Expenditure Account and Balance Sheet in respect of the Tain Common Good Fund (TCGF) for Financial Year 2017/18.

3.2 Income

3.2.1 The principal income for the TCGF is derived from the rent from the Market Street stalls and from grazing lets all of which were let in 2017/18. However the overall income received was slightly lower than expected. This was because anticipated income from a conservation lease of the Net Salmon Fishing Rights was not achievable due to legislative changes around conservation and there were no commercial lets of Tain Links.

3.3 Expenditure

3.3.1 Property costs in the year were minimal and relate to electricity charges for the wildlife pond as well as property insurance costs for the Market Street Stalls.

3.3.2 The 'other costs' shown largely relate to the cost of tree removal at Woody Braes which was carried out in March – April 2018 with the cost therefore being spread over the 2 financial years.

3.3.3 Admin and staff costs relate to the TCGF share of the charges for the Common Good Fund officer as well as central support charges.

3.3.4 The Tain mussel expenditure relates largely to the fees paid to Herriot Watt for survey work and advice. There is also a small cost associated with the lease of the Meikle Ferry pier prior to the lease ending.

3.3.5 The depreciation and amortisation of £960 shown is in relation to the fishing licence which was retained when the boat was sold, with the potential value of this currently being explored.

3.4 Other operating Expenditure

3.4.1 Members will recall that the mussel boat was sold in 2017/18. The sale price paid was £121,715 with the net income of £119,530 being received after the costs of sale were deducted. This was against a net book value of £175,000 and the accounts therefore show a loss on disposal of £55,470.

3.5 Other Comprehensive Income

3.5.1 Following the year end valuations of the investment properties of the fund an upward revaluation of £500 was recognised in relation to 1-2 Market Stalls.

3.6 Total Comprehensive Income and Expenditure

3.6.1 Overall the accounts show a net deficit of £75,301. However Members need to be aware that this includes the notional book loss on the mussel boat, the amortisation charge against the fishing licence and the revaluation gain, all of which are reversed out to the Capital Adjustment Account and therefore do not impact on the usable reserves of the fund.

3.6.2 Excluding the one off impact of the mussel boat, the accounts show that a net deficit of just over £20k was incurred. Some areas of expenditure will not recur (e.g. the rent of the pier) and others, such as advice from Heriot Watt, can be commissioned or not in future as a matter of choice but nevertheless the underlying picture is one of essential expenditure that is greater than current income. That is a matter for concern as any deficit reduces the level of Usable Reserves. The later part of this report looks in more detail at what might be explored to generate as much income as possible for the TCGF to try and ensure that unavoidable property costs do not year on year continue to outstrip income.

3.7 Balance Sheet

3.7.1 Usable Reserves

3.7.2 There was a decrease in usable revenue funds £19,371 in the year from £249,870 to £230,499 as a result of the activity mentioned above.

3.7.3 Following decisions at Ross and Cromarty Committee (12/01/2017) and Highland Council (09/03/2017) to ring-fence any monies generated from the sale of the boat for future expenditure on the Mussel Fishery, the proceeds of sale from the boat are being held in the Capital Receipts Reserve.

3.7.4 Unusable Reserves

3.7.5 The Revaluation Reserve represents the value held in terms of the Heritage assets of the fund where there has been no movement in the year.

3.7.6 The Capital Adjustment Account represents the value of the investment properties and intangible asset of the fund, as well as Alexandra Bridge. The movement in the year in this reserve is a result of the disposal of the boat (NBV), amortisation and gain on revaluation mentioned previously.

4. Quarter 2 Monitoring Statement

4.1 A monitoring statement showing transactions to the end of September 2018 against budget and the estimated year end position is attached at Appendix Two.

4.2 **Income**

- 4.2.1 As previously reported to Committee, rental income was on track to the end of June with all the properties and grazing let. However, Units 4 and 5 Market Street stalls are now vacant. There are some works to be carried out and then every effort will be made to re-let these as soon as possible thereafter.

There has been greater income from occasional lets of Tain links this year with £1,820 received against a target of £520. Income from interest and investments will be credited later in the year.

The estimated outturn has been updated to reflect the additional income received from occasional lets as well as assuming a loss of rental income from the vacant Units 4 and 5, with a shortfall of £2,500 currently being estimated.

Local Members are very keen that any opportunities for additional income are explored and advice is being sought on, for example, any potential to generate income from the fishing licence held. It is still hoped that when there are sufficient stocks, a 3rd party lease may generate income but it is not possible to predict when stock will be sufficient to allow this.

4.3 **Expenditure**

- 4.3.1 **Property Costs** - When the Q1 monitoring report was presented the estimated out turn for property costs was increased from £2,000 to £12,500. This was partly because the Woody Braes tree removal was carried out over the financial year end. There will also be repair costs associated with Units 4 and 5 of the Market Street Stalls. The estimated out turn will therefore require to be reviewed and this will be outlined in the Q3 monitoring report.

The largest item of spend so far is a Rates charge of £3,222 in relation to Units 4 and 5 Market Street Stalls for the period from 30 July 2018 – 31 March 2019. An application for rates relief has been submitted as these units have listed building status and a credit for the full amount is anticipated shortly.

Also included in the property costs is the cost of replanting the Woody Braes bank after the tree felling. There will also be a small additional charge later this year and for each of the following 2 years for annual maintenance and replacement checks.

- 4.3.2 **Tain Mussel Fishery Costs** – The budget included an element to pay for further survey work to be carried out by Heriot Watt University.

So far Herriot Watt University have managed to obtain some information whilst carrying out projects of their own. One of the beds seems, superficially, to be in reasonable condition (subject to further analysis). However they have not been able to establish if the large areas of subtidal mussel beds that have been observed in the past have re-established or seeded since 2016. This

could provide definitive grounds on which to re-open the fishery depending on the outcome but would take a 3 day boat-based survey to establish. Commissioning this work would be expected to cost somewhere in the region of £15,000 and the survey has therefore not been commissioned.

4.3.3 At present TCGF is anticipating a year-end deficit position of £23,999

5. Implications

- 5.1 Resource Implications are as noted in this report.
As a result of the circumstances detailed, expenditure continues to exceed income. Any potential sources of income will continue to be explored, most immediately by marketing the vacant unit at the Market Street stalls and expenditure will be closely monitored and managed.
- 5.2 There are no: Legal, Community (Equality, Poverty and Rural), Climate Change/Carbon Clever, Risk, Gaelic implications.

Designations: Derek Yule, Depute Chief Executive and Director of Corporate Resources
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Date: 8 October 2018

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Background Papers:

Appendix 1

STATEMENT OF ACCOUNTS 2017-18

Tain Common Good Fund

Income and Expenditure Account	2017/18 £	2016/17 £
Expenditure		
Property costs	360	5,730
Other Costs	10,124	10,561
Administration charges	1,170	1,208
Rent and Rates	399	182
Staff Costs	1,362	-
Alexandra Bridge Repair works	-	26,368
Tain Mussels net expenditure	14,467	7,484
Depreciation and Amortisation	960	9,960
Total expenditure	<u>28,841</u>	<u>61,493</u>
Income		
Rents	7,100	7,150
Other income	107	107
Interest and investment income	1,303	988
Grants and Contributions - Alexandra Bridge	-	56,075
Total income	<u>8,509</u>	<u>64,320</u>
Other Operating Expenditure		
Loss on disposal of non-current asset	55,470	0
Surplus/(deficit) for the year	<u>(75,801)</u>	<u>2,827</u>
Revaluation gains/(losses)	500	-
Unrealised gains on investments	0	25,381
	<u>500</u>	<u>25,381</u>
Total comprehensive income and expenditure	<u><u>(75,301)</u></u>	<u><u>28,208</u></u>

Balance Sheet	31/03/18 £	31/03/17 £
Non current assets		
Investment properties	266,500	266,000
Plant and machinery	0	175,000
Heritage assets	385,779	385,779
Intangible asset	12,120	13,080
	<u>664,399</u>	<u>839,859</u>
Current assets		
Sundry debtors	250	250
Loans fund deposits	349,779	249,620
	<u>350,029</u>	<u>249,870</u>
Total assets	<u>1,014,428</u>	<u>1,089,729</u>
Usable reserves		
Revenue funds	230,499	249,870
Capital Receipts Reserve	119,530	0
	<u>350,029</u>	<u>249,870</u>
Unusable reserves		
Revaluation reserve	94,434	94,434
Capital adjustment account	569,965	745,425
	<u>664,399</u>	<u>839,859</u>
Total reserves	<u>1,014,428</u>	<u>1,089,729</u>

Appendix 2

Tain Common Good - Quarterly Monitoring Period to 27 September 2018

	Actual to date	Budget	Estimated Outturn	Variance
	£	£	£	£
INCOME				
Rents	3,644	7,620	5,120	(2,500)
Interest and investment income	-	1,600	1,600	-
TOTAL INCOME	<u>3,644</u>	<u>9,220</u>	<u>6,720</u>	<u>(2,500)</u>
EXPENDITURE				
Staff Costs	161	2,009	2,009	-
Property costs	5,437	2,000	12,500	10,500
Central Support Charges	-	1,000	1,000	-
Tain Mussel Fishery	1,185	15,000	15,000	-
Tain Mussel Fishery Boat	<u>210</u>	<u>-</u>	<u>210</u>	<u>210</u>
TOTAL EXPENDITURE	<u>6,992</u>	<u>20,009</u>	<u>30,719</u>	<u>10,710</u>
Income less Expenditure	<u><u>(3,348)</u></u>	<u><u>(10,789)</u></u>	<u><u>(23,999)</u></u>	<u><u>(13,210)</u></u>