

Agenda Item	15a
Report No	CIA 56/18

HIGHLAND COUNCIL

Committee: City of Inverness Area Committee

Date: 22 November 2018

Report Title: Inverness Common Good Fund Annual Report 2017/18

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

1. Purpose/Executive Summary

- 1.1 This report presents the final outturn and audited balance sheet for 2017/18 for Inverness Common Good Fund (ICGF). Expenditure is less than budgeted, due to delayed expenditure on grants and capital projects, and income was higher than budget due to investment income and commercial rental income exceeding expectations. An overall revenue surplus of £0.494m was achieved which was £0.394m higher than budgeted. This was used to fund expenditure on projects of £1.318m (mainly the Town House refurbishment) with fewer reserves than anticipated having to be realised to fund this expenditure.

2. Recommendations

2.1 Members are asked to:

- i. Consider the final monitoring report and balance sheet for the Inverness Common Good Fund as at 31st March 2018.

3. Annual Report – Income, Expenditure & Projects

3.1 **Appendix 1** of this report shows the Financial Monitoring Statement and **Appendix 2** shows the final Audited Balance Sheet position in respect of Inverness Common Good Fund for Financial Year 2017/18.

3.2 Income from rents amounted to £2,217m and exceeded budget by £0.156m. The outturn before capital projects shows a surplus of income over expenditure of £0.493m. This is largely due to income received on investments of £0.147m which is re-invested with our fund managers and as such is unbudgeted for revenue account purposes. An underspend on Grants of £0.234m as well as income in excess of budget from Industrial estates rents of £0.118m (including £0.085m in terms of a rental premium) also contributed to this surplus. The revenue surplus of £0.493m helped fund the cost of Projects of £1.318m. The balance of capital expenditure was met from Fund reserves.

3.3 Commentary on significant variances (greater than £0.005m) is set out below per cost centre.

4. Variances - Income

4.1 Rents – Industrial Estates

The income of £1.589m is £0.118m more than budgeted. The greater level of income is due to the commercial portfolio performance exceeding expectations along with a premium received following the renegotiation of a rental agreement

4.2 Rents – Victorian Market

Income received during the year of £0.260m was £0.013m more than budgeted. This was a result of increased occupancy levels within the market.

4.3 Town House

Income received was £0.012m greater than budgeted as a result of a donation received by the Inverness Common Good Fund from Mrs Cecile Vander.

4.4 Rents – 1-5 Church Street

Income received during the year of £0.087m was £0.012m greater than budgeted following a new tenant locating to the property.

4.5 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.

4.6 Other Income – Contribution to Conference Support from Reserves

The anticipated contribution to the conference support budget from reserves was not required as the revenue account returned a surplus without the need for a transfer.

4.7 Other Income – Income from Investments

As in previous years, Investment income from the ICGF Property and Share Portfolio amounting to £0.147m has been received and re-invested.

5. Variances - Expenditure

5.1 Victorian Market

The underspend of £0.017m was a result of property related expenditure coming in lower than expected.

5.2 Town House Maintenance and General Common Good Charges

The overspend of £0.027m is predominantly due to unbudgeted charges for the ICGF share of the cost of the Common Good Fund Officer post.

5.3 1-5 Church Street Maintenance

There is a remaining vacant floor within the property which has resulted in maintenance costs of £0.010m less than budgeted.

5.4 Other Properties

The underspend of £0.025m is due to maintenance work being carried forward to 2018/19

5.5 Civic and Conference Hospitality

The underspend of £0.024m arose because of some events which were committed from the 2017/18 budget but where expenditure was not incurred until 2018/19.

5.6 Winter Payments

While the total value of the scheme cost £0.113m against a budget of £0.105m, once the contribution from the Inverness benevolent fund for payments to those applicants from landward wards of £0.025m was taken into account it resulted in an underspend for the ICGF of £0.017m

5.7 Inverness Common Good Fund Grants

The original budget of £0.569m comprised £0.254m for grants committed prior to 2017/18, and £0.315m for 2017/18 grant approvals. An additional £0.015m was transferred to this budget in the year from Other Properties as a contribution towards the Merkinch Windows Project. The underspend of £0.234m relates largely to projects where funding has been agreed before or during 2017/18, but where the delivery of the project and all or part of the actual expenditure did not take place before the end of the financial year. The sum of £0.235m for grants committed during or prior to 2017/18 was rolled forward into the 2018/19 budget.

5.8 Conference Support

The underspend of £0.039m relates to conferences where funding has been agreed before or during 2017/18 but where the event and all or part of the actual expenditure did not take place before the end of the current financial year. The sum of £0.008m for grants committed during or prior to 2017/18 was rolled forward into the 2018/19 budget.

5.9 City Promotions

The overspend £0.009m is a result of the additional signage for the Market Brae Steps and the cleaning of Lombard Street and Drummond Street.

5.10 Property Management Fees

Fees were increased in the year due to higher levels of income generated from property rentals.

5.11 Central Support Charge
Charges remained higher in 2017/18 as a result of the increased cost of procurement following the creation of the shared service, support from staff in corporate finance as well as the internal audit of common good fund rental income.

5.12 Other Charges and Town House – Other Costs
The underspends of £0.014m and £0.011m are both due to expenditure being met from other budget heads.

6. Projects

6.1 Expenditure totalled £1.318m, which was £0.351m less than budget.

6.2 Town House Refurbishment
The overspend of £0.049m is due to the late recovery of the Historic Environment Scotland Grant.

6.3 Refurbishment 1-5 Church Street
The overspend of £0.034m is a result of a final contract retention payment that was not budgeted for.

6.4 Ness Islands - Structural Maintenance Programme
The underspend of £0.132m was a result of a delay to planned works being carried out due to unfavourable weather conditions throughout the winter. The remainder of the planned works will take place during 2018/19.

6.5 Lotland Street Starter Unit
This project was not started during 2017/18 for a number of reasons and has since been removed from the ICGF programme of capital projects.

7. Balance Sheet

7.1 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.

7.2 Unusable Reserves comprise the Revaluation Reserve, Capital Adjustment Account, and Assets Held for Sale Reserve. These are matched with the non-current assets.

7.3 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 (£22.127m).

7.4 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 (£2.505m) and when added to the book value of the investments (£4.874m) gives the total market value of investments at 31 March 2017 (£7.379m).

7.5 Usable reserves comprise Revenue Funds and represent the actual funds available (£4.921m). They are represented by the book value of the investment

portfolio (£4.874m) and short term deposits, sundry debtors and sundry creditors at the year-end (£0.047m).

8. Implications

- 8.1 Resource: As detailed within report.
- 8.2 Legal: None.
- 8.3 Community (Equality, Poverty and Rural): None.
- 8.4 Climate Change / Carbon Clever: None.
- 8.5 Risk: None.
- 8.6 Gaelic: None

Designation: Depute Chief Executive & Director of Corporate Resources and Inverness City Area Manager.

Date: 1 November 2018

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Background Papers: N/A

**APPENDIX 1
FINAL OUTTURN STATEMENT
INVERNESS COMMON GOOD FUND
FOR YEAR ENDING 31 MARCH 2018**

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	VARIANCE
	£000	£000	£000
EXPENDITURE			
Victorian Market	197	214	(17)
Town House Maintenance	127	100	27
1-5 Church Street Maintenance	10	20	(10)
Other Properties	70	95	(25)
Civic and Conference Hospitality	108	132	(24)
Ness Islands & Bank Maintenance	35	35	0
Festive Lights	61	65	(4)
Town Twinning	5	9	(4)
Winter Payments	88	105	(17)
Inverness Common Good Fund Grants	350	584	(234)
Conference Support	20	59	(39)
City Promotions	43	34	9
Disabled Go Project (2013-18)	8	8	0
Castle Wynd Conveniences	23	23	0
Partnership Working	109	109	0
Events & Festivals	320	320	0
CCTV	85	90	(5)
Property Management Fees	132	124	8
Central Support Charge	78	60	18
Other Charges	0	14	(14)
Town House Other Costs	0	11	(11)
Inverness Steeple	5	10	(5)
TOTAL EXPENDITURE	1,874	2,221	(347)
FUNDED BY:			
Rents			
Industrial Estates	1,504	1,471	(33)
Industrial Estates - premium	85	0	(85)
Victorian Market	260	247	(13)
Town House	270	258	(12)
1-5 Church Street	87	75	(12)
Other Properties	11	10	(1)
Other Income			
Contribution to Grants from Reserves	0	240	240
Contribution to Conference Support from Reserves	0	19	19
Income from Investments	147	0	(147)
Interest on Revenue Balances	3	1	(2)
TOTAL FUNDING	2,367	2,321	(46)
AVAILABLE TO FUND PROJECT SPEND	493	100	(393)
PROJECT SPEND			
Town House Refurbishment	1,089	1,040	49
Refurbishment 1-5 Church Street	34	0	34
Ness Islands - Structural Maintenance Programme	166	298	(132)
Inverness City Arts Project	27	27	0
Victorian Market - Opportunities for Improvement	0	134	(134)
Lotland Street Starter Unit	2	170	(168)
TOTAL	1,318	1,669	(351)
FUNDS AVAILABLE FOR PROJECT SPEND	493	100	(393)
BALANCE TO BE FUNDED BY RESERVES	(825)	(1,569)	(744)

APPENDIX 2**INVERNESS COMMON GOOD FUND**

31/03/2017	Balance Sheet	31/03/2018
	<u>Non current assets</u>	
22,097,000	Investment properties	22,127,000
7,702,224	Investments at valuation	7,378,550
2,063,374	Heritage Assets	2,063,374
<u>31,862,598</u>		<u>31,568,924</u>
	<u>Current assets</u>	
248,959	Sundry debtors	34,179
623,108	Loans fund deposits	81,884
<u>872,067</u>		<u>116,063</u>
	<u>Current liabilities</u>	
(291,200)	Sundry creditors	(68,864)
<u>(291,200)</u>		<u>(68,864)</u>
<u>32,443,465</u>	Total assets	<u>31,616,123</u>
	Usable reserves	
5,494,351	Revenue funds	4,921,151
	Unusable reserves	
2,063,374	Revaluation reserve	2,063,374
22,097,000	Capital adjustment account	22,127,000
2,788,740	Available for Sale Reserve	2,504,598
<u>26,949,114</u>		<u>26,694,972</u>
<u>32,443,465</u>	Total reserves	<u>31,616,123</u>