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|-------------|----------------|
| Agenda Item | <b>4.a</b>     |
| Report No   | <b>N/20/19</b> |

## HIGHLAND COUNCIL

**Committee:** Nairnshire Committee

**Date:** 27 November 2019

**Report Title:** Nairn Common Good Fund – Audited Accounts, Annual Report 2018/19, Quarter 2 Monitoring

**Report By:** Executive Chief Officer Resources and Acting Head of Policy

### **1 Purpose/Executive Summary**

1.1 This report presents the audited accounts and annual report for the financial year 2018/19, and reports on the position of the Nairn Common Good Fund as shown in the Quarter 2 monitoring statement for 2019/20. The report seeks homologation for a decision taken to resurface the Riverside car park in partnership with Springfield Properties estates.

### **2 Recommendations**

2.1 Members are asked to:

- Consider and discuss the Nairn Common Good Fund Annual Report for 2018/19
- Consider and discuss the position of the Nairn Common Good Fund and outturn as shown in the Quarter 2 monitoring statement against budget
- Agree to homologate the decision taken to accept the offer from Springfield Properties to resurface the Riverside car park

### **3. Implications**

- 3.1 Resource – As previously reported to Committee, expenditure continues to be kept to a minimum in order to build reserves for future projects for protection or development of Common Good assets. There are no current resource implications for the resurfacing of Riverside car park however any future work, as noted in the risk section, would require to be met from the Common Good.
- 3.2 Legal – none.
- 3.3 Community (Equality, Poverty and Rural) – There are no current community implications.
- 3.4 Risk – The material which will be used to resurface the Riverside car park is untested and therefore it is unknown how this will perform. Any repairs or maintenance will require to be paid from the Common Good Fund.
- 3.5 Gaelic and Climate Change – none.

### **4. Annual Report**

- 4.1 **Appendix 1** of this report shows the Income and Expenditure Account and Balance Sheet in respect of the Nairn Common Good Fund (NCGF) for the Financial Year 2018/19.
- 4.2 **Expenditure**
  - 4.2.1 The main area of expenditure relates to Property maintenance costs which comprises grounds maintenance (largely grass cutting), general maintenance costs for Common Good areas but principally related to the Links, and the operational management agreement with Highlife Highland. Also included are costs for electricity and water for the Links.
  - 4.2.2 Admin and staff costs relate to the NCGF share of charges for the Common Good Fund Officer as well as central support charges.
- 4.3 **Income**
  - 4.3.1 The principal income for the NCGF comes mainly from rents (Lochloy Caravan Park) and lettings (shown under Rents) from short term lettings for the Nairn Links for the stalls, hospitality tent and Showmen's Guild letting at the Nairn Games, plus any small adhoc lettings for e.g. the Bandstand.
  - 4.3.2 Interest and investment income shows a modest amount which is the interest on cash balances held with the Council's Loans Fund.

4.3.3 As a result of the above, a revenue surplus of £65,162 was achieved, increasing the usable reserves of the fund.

#### 4.4 **Other Comprehensive Income**

4.4.1 Following the year-end valuation process a revaluation gain of £116,000 has been recognised in terms of the main investment properties held by the fund, namely Sandown and Lochloy Caravan Park. This does not have an impact on the Usable Reserves of the fund but can be seen by the movement in the Capital Adjustment Account which is the reserve that holds the balance of the investment properties.

#### 4.5 **Balance Sheet**

4.5.1 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.

4.5.2 Usable Reserves – As previously reported to Committee and agreed by Members, an investment strategy has been implemented for the Nairn Common Good Fund. £480,000 was invested in 2017/18 and at the 31<sup>st</sup> March 2019 Market Value was £504,800.

4.5.3 It is intended that income generated by shares will be reinvested and any surplus made by the NCGF in the financial year may also be invested in the portfolio subject to a minimum level of cash balances being maintained.

4.5.4 Unusable Reserves – The revaluation reserve represents the value held in terms of the Heritage assets of the fund, which for the NCGF is the Provosts Chain.

4.5.5 The capital adjustment account represents the value of the investment properties. The movement in the year in this reserve is the result of gain on revaluation.

### 5. **Quarter 2 Monitoring Statement**

5.1 A monitoring statement showing transactions against budget to the end of September 2019 is attached at **appendix 2**.

5.2 **Income** – Income received to date is on target and within budget and comes largely from property rentals. Lettings income comes principally from the Nairn Highland Games and comprises annual income from the Showmens Guild for the Links let, the hospitality tent and stalls. There is also a small amount of income from ad hoc lets at the Links. Wayleave income from SSE is included in Miscellaneous income.

The estimated outturn remains as is and will be updated for the Quarter 3 monitoring report.

5.3 **Expenditure** – Spend to date is line with budget. Property costs reflect the Highlife Highland management fee for the Leisure Park and Paddling Pool and maintenance costs for the Pool and Links area. Grounds maintenance charges relating to grass cutting will be shown in the Quarter 3 monitoring report. First quarter charges are shown for electricity and water charges for the Pavilion and Links area. The annual levies have been paid for the River Fishings, as have charges for insurance for common good property.

## 6. **Resurfacing Riverside Car Park**

6.1 The Car Park at Mill Road is held on the account of the Nairn Common Good Fund. Work was undertaken around a year ago to re-surface the Car Park however, unfortunately, due to inappropriate use of the car park by some vehicle users, the surface has been significantly damaged. Attempts have been made to apply temporary repairs however these have not been successful.

6.2 The Council was approached by Springfield Properties in October 2019 who offered, in conjunction with MacRaebur who are suppliers of surfacing material, to undertake work to resurface the car park for the Common Good. The proposal was to use MacRaebur MR8 tar, which is manufactured out of unrecyclable plastic waste which reduces the bitumen in the mix by 6%. This would establish a permanent surface and, with timber outlining the parking bays, deter inappropriate vehicle use and act as informal speed bumps.

6.3 Members received a briefing from the Roads team regarding the proposal. This type of product is at an early stage in its evolution. It has yet to be used in Highland and is therefore untested. It was noted that there is no evidence as yet as to how this product will perform over the medium term and that the cost of any premature failure that may occur in the future (5 to 10 years) would require to be met by the Common Good.

6.4 Whilst noting the untried nature of the product, and that any repairs or maintenance would require to be met from the Common Good, Members welcomed and agreed the offer from Springfield properties to support the resurfacing of the Riverside car park. This would incur no cost to the Common Good and provide wider benefit to the community. At the request of the suppliers, it was agreed that work commence but the decision be reported at the Nairn and Nairnshire Committee on 27 November 2019.

Designations: Executive Chief Officer Resource and Acting Head of Policy

Date: 15 November 2019

Author: Alison Clark, Acting Head of Policy  
Liz Cowie, Ward Manager  
Jackie McLaughlin, Principal Accounting Technician

Appendix 1: Nairn Audited Accounts 2018/19

Appendix 2: Quarter 2 Monitoring Statement 2019/20

## STATEMENT OF ACCOUNTS 2018-19

## Nairn Common Good Fund

| Income and Expenditure Account             | 2018/19<br>£          | 2017/18<br>£          |
|--|-----------------------|-----------------------|
| <u>Expenditure</u>                         |                       |                       |
| Property maintenance                       | 59,807                | 51,143                |
| Rent, rates and insurance                  | 3,024                 | 3,561                 |
| Legal expenses                             | 3                     | 1,403                 |
| Administration charges                     | 1,049                 | 1,315                 |
| Staff Costs                                | 8,588                 | 8,098.1               |
| Total expenditure                          | <u>72,472</u>         | <u>65,520</u>         |
| <u>Income</u>                              |                       |                       |
| Rents                                      | 120,408               | 196,554               |
| Miscellaneous income                       | 495                   | 27                    |
| Interest and investment income             | 8,198                 | 2,142                 |
| Realised gain on sale of investments       | 8,532                 |                       |
| Total income                               | <u>137,634</u>        | <u>198,722</u>        |
| <b>Surplus/(deficit) for the year</b>      | <b><u>65,162</u></b>  | <b><u>133,202</u></b> |
| Revaluation gains/(losses)                 | 135,285               | 495,000               |
| Realised gains recycled through CIES       | (8,532)               |                       |
| Total comprehensive income and expenditure | <u><u>191,915</u></u> | <u><u>628,202</u></u> |

| <b>Balance Sheet</b>         | 31/03/19                | 31/03/18                |
|------------------------------|-------------------------|-------------------------|
| <u>Non current assets</u>    |                         |                         |
| Investment properties        | 7,545,000               | 7,429,000               |
| Heritage assets              | 60,000                  | 60,000                  |
| Investments at valuation     | <u>504,800</u>          | <u>480,000</u>          |
|                              | 8,109,800               | 7,969,000               |
| <u>Current assets</u>        |                         |                         |
| Loans fund deposits          | 120,172                 | 60,778                  |
| Sundry Debtors               | <u>(85)</u>             | <u>7,774</u>            |
|                              | 120,087                 | 68,552                  |
| <u>Long term liabilities</u> |                         |                         |
| Sundry creditors             | <u>(2,005)</u>          | <u>(1,585)</u>          |
|                              | (2,005)                 | (1,585)                 |
| <b>Total assets</b>          | <b><u>8,227,882</u></b> | <b><u>8,035,967</u></b> |
| <br>                         |                         |                         |
| <b>Usable reserves</b>       |                         |                         |
| Revenue funds                | 622,882                 | 546,967                 |
| <br>                         |                         |                         |
| <b>Unusable reserves</b>     |                         |                         |
| Revaluation reserve          | 60,000                  | 60,000                  |
| Capital adjustment account   | <u>7,545,000</u>        | <u>7,429,000</u>        |
|                              | 7,605,000               | 7,489,000               |
| <b>Total reserves</b>        | <b><u>8,227,882</u></b> | <b><u>8,035,967</u></b> |

## Appendix 2

### Nairn Common Good - Quarterly Monitoring Period to 30th Sept 2019

### APPENDIX 1

|                                   | Actual<br>to date<br>£ | Annual<br>Budget<br>£ | Estimated<br>Outturn<br>£ | Variance<br>£   |
|-----------------------------------|------------------------|-----------------------|---------------------------|-----------------|
| <b>INCOME</b>                     |                        |                       |                           |                 |
| Rents                             | 94,610                 | 106,000               | 106,000                   | 0               |
| Lettings                          | 14,422                 | 12,000                | 12,000                    | 0               |
| Miscellaneous Income              | 27                     | 250                   | 250                       | 0               |
|                                   | <u>109,059</u>         | <u>118,250</u>        | <u>118,250</u>            | <u>0</u>        |
| <b>TOTAL INCOME</b>               | <u><u>109,059</u></u>  | <u><u>118,250</u></u> | <u><u>118,250</u></u>     | <u><u>0</u></u> |
| <b>EXPENDITURE</b>                |                        |                       |                           |                 |
| Property Costs                    | 7,672                  | 55,500                | 55,500                    | 0               |
| Electricity                       | 1,368                  | 1,000                 | 1,000                     | 0               |
| Water charges                     | 731                    | 750                   | 750                       | 0               |
| Rents, Rates and Insurance        | 3,303                  | 3,550                 | 3,550                     | 0               |
| Central support*                  | 3,478                  | 10,000                | 10,000                    | 0               |
| Advertising                       | 0                      | 250                   | 250                       | 0               |
| Legal Expenses                    | 131                    | 1,000                 | 1,000                     | 0               |
| Project Costs - Links Development | 4,676                  | 15,000                | 15,000                    | 0               |
| <b>TOTAL EXPENDITURE</b>          | <u>21,359</u>          | <u>87,050</u>         | <u>87,050</u>             | <u>0</u>        |
| <b>Income less Expenditure</b>    | <u><u>87,700</u></u>   | <u><u>31,200</u></u>  | <u><u>31,200</u></u>      | <u><u>0</u></u> |

*\*Includes Common Good Officer*