

Agenda Item	13e.
Report No	CIA/14/22

THE HIGHLAND COUNCIL

Committee: City of Inverness Area Committee

Date: 17 February 2022

Report Title: Inverness Common Good Fund Annual Report 2020/21

Report By: Executive Chief Officer, Resources and Finance Interim
Executive Chief Officer, Communities and Place

1. Purpose/Executive Summary

- 1.1 This report presents the final outturn and audited Statement of Accounts for 2020/21 for Inverness Common Good Fund (ICGF).
- 1.2 An overall revenue surplus of £1.372m was achieved per the final outturn. This was used to fund expenditure on projects of £0.762m (mainly Phase 3 of the Town House refurbishment) with the balance of the surplus for the year being added to reserves.
- 1.3 It should however be noted that the surplus achieved is mainly due to the impact of COVID-19, which resulted in delays in projects and other expenses. These projects/expenses have been carried over into 2021/22.

2. Recommendations

- 2.1 Members are asked to:
 - Consider and agree the final monitoring report and Statement of Accounts for the Inverness Common Good Fund for the year ended 31 March 2021.

3. Implications

- 3.1 **Resource implications** - As detailed within report.
- 3.2 **Legal implications** – None
- 3.3 **Community (Equality, Poverty, Rural and Island) impacts** – None
- 3.4 **Climate Change / Carbon Clever implications**– None
- 3.5 **Risk implications**– None
- 3.6 **Gaelic** – None

4. Final Financial Monitoring 2020/21

4.1 **Appendix 1** of this report shows the Financial Monitoring Statement and **Appendix 2** shows the final Audited Statement of Accounts in respect of Inverness Common Good Fund for Financial Year 2020/21.

4.2 **Appendix 1** shows a surplus of income over expenditure of £1.372m, before capital projects. The Budget for the year showed a break-even position. The main contributors to the variance between Budget and Actual are as follows:

- Overall, expenses are £1.216m lower than Budget, generally due to COVID-19, with Civic and Conference Hospitality, Grants and Events & Festivals showing the largest monetary variances.
- Income was £0.156m higher than Budget.

Commentary on significant variances (greater than £0.005m) is set out in sections 5 and 6 below.

Appendix 1 shows a Budget project spend of £3.033m. Due to various delays, only £0.762 was spent in the year, with the balance of expenditure (£2.271m) carried over into 2021/22.

4.3 COVID-19 Pandemic

A number of budgets were significantly underspent due to the impact of the COVID-19 pandemic. These included:

- Civic and Conference Hospitality;
- Events and Festivals; and
- Partnership Working.

All the above activities were impacted by successive lockdowns and the need to protect the health and wellbeing of the public in accordance with guidance set by the Government. An element of the savings was used to support welfare resilience activity, such as utilising a portion of the Events and Festivals budget to support an increase in the Winter Payments budget.

5. Variances Income

5.1 Rents – Industrial Estates

The income of £1.885m is £0.268m 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.

5.2 Rents – Victorian Market

Income received during the year of £0.114m was £0.014m less than budgeted. This was expected and as a result of a reduction in the number of tenancies, all agreed as part of the refurbishment plan for the Market Hall and Fish Hall. The report detailing the plan can be found in Item 8 of the [City of Inverness Area Committee meeting 21-Nov-19](#).

5.3 Rents – Town House

Income of £0.240m is £0.006m lower than budgeted. This is due to the Town House refurbishment project where a portion of the car park was unavailable.

5.4 Other Income – Fishing Assessment Dues

This income is for the recharge of the River Ness Fishings expense - see 6.4 below. As noted below, the charge for the year had a discount of 50% applied due to COVID-19. Income is therefore also reduced by 50%. The net impact on actual vs budget is nil.

5.5 Other Income – Income from Investments

As in previous years, Investment income from the ICGF Property and Share Portfolio, amounting to £0.112m in 2020/21, has been received and re-invested.

5.6 Other Income – Contribution from Town Centre Fund

The anticipated contribution of £0.250m from the Town Centre Fund was not fully required in 2020/21 as elements of the spend on the Victorian Market Refurbishment project were delayed due to COVID-19 (see 7.1 below). The balance of £194k has been drawn down in full in 2021/22.

6. **Variances - Expenditure**

6.1 As noted above, a number of budgets were significantly underspent due to the impact of the COVID-19 pandemic. These include the following expenses:

- Victorian Market Maintenance: £0.019m less than Budget
- Victorian Market Operations: £0.046m less than Budget
- Town House Maintenance: £0.079m less than Budget
- Inverness Steeple: £0.010m less than Budget.

These were all as a result of only essential maintenance being carried out on the properties.

Other expenses impacted by COVID-19 are as follows:

- Civic and Conference Hospitality: £0.121m less than Budget;
- Festive Lights: £0.017m less than Budget;
- Town Twinning: £0.009m less than Budget;
- Conference Support: £0.031m less than Budget;
- City Promotions: £0.016m less than Budget;
- Castle Wynd Conveniences: £0.022m less than Budget;
- Partnership Working: £0.075m less than Budget;
- Events & Festivals: £0.133m less than Budget;
- Commemorative Bedding: £0.017m less than Budget.

6.2 1 – 5 Church Street

Due to the properties being fully let, there is no longer any liability for property management costs. No costs were incurred against a budget spend of £0.005m.

6.3 Other Properties

The underspend of £0.031m is due to slippage. Maintenance work will be carried forward to 2022/23.

6.4 River Ness Fishings

Expenditure was reduced by £0.010m due to a 50% reduction in the Fishery Assessment for 2020/21, which was made by the District Fisheries Board in consideration of the impact of the COVID-19 pandemic.

6.5 Winter Payments

The budget was increased from £0.155m to £0.235m with the balance of £0.080m being transferred from the Events and Festivals budget which was significantly underspent.

Actual payments were £0.179m; an underspend of £0.056m.

6.6 Inverness Common Good Fund Grants

The original budget of £0.609m comprised £0.334m for grants committed prior to 2020/21, and £0.275m for 2020/21 grant approvals. A further £0.030m was transferred from the Events and Festivals budget for MFR Cash for Kids.

The underspend of £0.531m relates largely to projects where funding has been agreed before or during 2020/21, 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 £0.348m for grants committed during or prior to 2020/21 was rolled forward into the 2021/22 budget.

6.7 Events & Festivals Management

The Events Manager left at the end of November 2020 and was not replaced during the year, hence the underspend of £0.020m.

6.8 Central Support Charge

Charges in 2020/21 included the ICGF's proportion of the Common Good Fund officer's cost, which were £0.007m higher than the inflationary increase expected and so contributes to the variance position.

6.9 Investment Advisor Fees

The overspend of £0.027m higher than Budget is due to the Budget not including provision for Adam & Co fees, which were £0.030m (£0.035m in 2019/20).

The Budget does not include provision for these fees as they are only accounted for at the year end to comply with accounting rules.

7. **Projects**

7.1 COVID-19 delayed project delivery in respect of Phase 3 of Inverness Town House and the letting of the contract to refurbish the Victorian Market Hall and Fish Hall.

7.2 Apart from the first Lockdown, which acted to suspend all work on the Town House Phase 3, COVID-19 workplace guidelines required additional measures to be incorporated to protect the workforce from the virus. This led to additional costs to Phase 3 Works at the Town House.

7.3 The timeframe for the delivery of the refurbishment of the Victorian Market Hall and Fish Hall has also had to be adjusted to accommodate the impact of COVID -19 workplace guidelines. COVID-19 also delayed the delivery of the Town House Civic Floor project.

7.4 Expenditure totalled £0.762m (£2.271m less than budget) and was funded by the surplus on the revenue budget.

7.5 As expenditure on projects for 2020/21 was expected to be considerably higher in the final months of the year, £0.900m of investments was liquidated in the final quarter of 2020/21.

8. Statement of Accounts (Appendix 2)

- 8.1 The Statement of Accounts is comprised of an Income and Expenditure Statement and a Balance Sheet.
- 8.2 The Income and Expenditure Statement sets out the results for the year in a more condensed way than the Monitoring Statement presented in **Appendix 1**. Further, the Monitoring Statement does not consider items such as the movements in the valuations of assets, which are required to comply with accounting rules.
- 8.3 The Income and Expenditure Statement for 2021 shows a surplus of £1.652m whereas the final Monitoring for 2021 showed a revenue surplus of £1.372m. A reconciliation of these two numbers is shown on **Appendix 1** and highlights the additional accounting entries.
- 8.4 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.
- 8.5 Unusable Reserves comprise the Revaluation Reserve and the Capital Adjustment Account. 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 (£24.257m).
- 8.6 The value of the investment portfolio (£5.481m) along with that of debtors, loans fund deposits and creditors are held in Revenue Funds (£6.564m). This is the Usable Reserve and represents actual funds available.

Designation: Liz Denovan Executive Chief Officer – Resources and Finance and Allan Gunn, Interim Executive Chief Officer, Communities and Place

Date: 31 January 2022

Author: David Haas, Inverness City Area Manager
Lara Harrison, Accountant

Background Papers: N/A

APPENDIX 1
FINAL MONITORING STATEMENT 2020/21
INVERNESS COMMON GOOD FUND CORE SPEND
FOR YEAR ENDING 31 MARCH 2021

	ACTUAL	BUDGET	VARIANCE	
	£000	£000	£000	%
EXPENDITURE				
Victorian Market Maintenance	29	48	19	39.8%
Victorian Market Operations	152	198	46	23.4%
Victorian Market Management	52	52	(0)	-0.9%
Town House Maintenance	21	100	79	79.1%
1-5 Church Street	-	5	5	100.0%
Other Properties	56	87	31	35.6%
Civic and Conference Hospitality	4	125	121	96.4%
Ness Islands & Bank Maintenance	35	35	-	0.0%
River Ness Fishings	10	20	10	52.5%
Festive Lights	56	73	17	22.9%
Town Twinning	-	9	9	100.0%
Winter Payments	179	235	56	24.0%
Inverness Common Good Fund Grants	108	639	531	83.0%
Conference Support	9	40	31	78.1%
City Promotions	26	42	16	37.6%
Castle Wynd Conveniences	-	22	22	100.0%
Partnership Working	37	112	75	67.3%
Events & Festivals	10	143	133	93.3%
Events & Festivals Management	30	50	20	39.2%
CCTV	85	90	5	5.2%
Property Management Fees	141	140	(1)	-0.6%
Central Support Charge	90	82	(8)	-9.6%
Inverness Steeple	-	10	10	100.0%
Commemorative Bedding	11	28	17	61.8%
Investment Advisor Fees	41	10	(31)	-307.1%
Press & Public Relations	6	9	3	29.3%
TOTAL EXPENDITURE	1,188	2,404	1,216	50.6%
FUNDED BY:				
Rents & Lettings				
Industrial Estates	1,885	1,617	268	16.6%
Victorian Market	114	128	(14)	-11.2%
Town House	240	246	(6)	-2.6%
1-5 Church Street	97	96	1	1.3%
River Ness Fishing Rights	7	10	(3)	-25.0%
Other Properties	33	32	1	4.3%
Other Income				
Fishing Assessment Dues	10	20	(10)	-48.5%
Investment Income	112	-	112	0.0%
Contribution from Town Centre Fund	56	250	(194)	-77.6%
VAT on Management Fees	4	4	-	0.0%
Interest on Revenue Balances	2	1	1	112.8%
TOTAL FUNDING	2,560	2,404	156	6.5%
AVAILABLE TO FUND PROJECT SPEND	1,372	-	1,372	0.0%

Reconciliation to Income and Expenditure (I&E) Account (Appendix 2):

Net income per above		1,372	
Project spend per Monitoring (<i>see below</i>)	762		
Investment Property Additions capitalised in year	678		(£752k movement per the Balance Sheet includes £74k revaluation)
Additional expense in I&E Account v. Monitoring		(84)	
Realised gain on sale of investments per I&E Account (not in Monitoring)		364	
Surplus for the year per Audited Accounts		1,652	

APPENDIX 1 (continued)

FINAL MONITORING STATEMENT 2020/21

INVERNESS COMMON GOOD FUND PROJECT SPEND

FOR YEAR ENDING 31 MARCH 2021

	ACTUAL £000	BUDGET £000	VARIANCE £000	%
PROJECT SPEND				
Town House Refurbishment - Phase 3	583	1,400	(817)	-58.4%
Cavell Gardens Improvement Works	-	5	(5)	-100.0%
Town House - Civic Floor	0	40	(40)	-99.9%
Whin Park Improvement Works	9	33	(24)	-72.3%
Victorian Market - Market Hall Improvements	96	1,445	(1,349)	-93.4%
Compensation Payments - Victorian Market	74	110	(36)	-32.9%
TOTAL	762	3,033	(2,271)	-74.9%
FUNDS AVAILABLE FOR PROJECT SPEND	1,372	-	1,372	0.0%
BALANCE TO BE ADDED TO/(FUNDED BY) RESERVES	611	(3,033)	3,644	-120.1%

APPENDIX 2

STATEMENT OF ACCOUNTS

2019/20	Inverness Common Good Fund	2020/21	Mvmt	
£		£	£	Mvmt %
	Income and Expenditure Account			
	<u>Expenditure</u>			
289,164	Staff costs	225,707	(63,457)	-21.9%
160,632	Property costs	117,771	(42,861)	-26.7%
893,587	Other costs	636,559	(257,027)	-28.8%
645,823	Grants and contributions	367,478	(278,346)	-43.1%
203,841	Administration charges	205,383	1,542	0.8%
2,193,047	Total expenditure	1,552,898	(640,148)	-29.2%
	<u>Income</u>			
2,220,159	Rents	2,173,781	(46,379)	-2.1%
88,875	Miscellaneous income	217,449	128,575	144.7%
-	Interest on revenue balances	2,128	2,128	0.0%
210,862	Income on investments	112,164	(98,698)	-46.8%
97,216	Grants and contributions	335,951	238,735	245.6%
161,146	Realised gain on sale of investments	363,931	202,785	125.8%
2,778,258	Total income	3,205,404	427,146	15.4%
585,211	Surplus/(deficit) for the year	1,652,506	1,067,295	182.4%
(718,320)	Revaluation gains/(losses) on properties	74,347	792,668	-110.4%
(755,536)	Unrealised gains/(losses) on investments	959,883	1,715,419	-227.0%
(161,146)	Realised gains recycled through CIES	(363,931)	(202,785)	125.8%
(1,049,791)	Total comprehensive income and expenditure	2,322,805	3,372,596	-321.3%

31/03/2020	Balance Sheet	31/03/2021	Mvmt	
£		£	£	Mvmt %
	<u>Non current assets</u>			
23,505,000	Investment properties	24,257,130	752,130	3.2%
5,338,105	Investments at valuation	5,480,592	142,487	2.7%
2,063,374	Heritage Assets	2,063,374	-	0.0%
30,906,479		31,801,096	894,617	2.9%
	<u>Current assets</u>			
4,860	Sundry debtors	(400)	(5,260)	-108.2%
8,025	Inventories	-	(8,025)	-100.0%
-	Loans fund deposits	1,179,604	1,179,604	0.0%
12,885		1,179,204	1,166,319	9052.1%
	<u>Current liabilities</u>			
(219,217)	Sundry creditors	(95,584)	123,633	-56.4%
(138,236)	Loans fund deposits	-	138,236	-100.0%
(357,453)		(95,584)	261,869	-73.3%
30,561,911	Total assets	32,884,716	2,322,804	7.6%
	Usable reserves			
4,993,537	Revenue funds	6,564,213	1,570,675	31.5%
	Unusable reserves			
2,063,374	Revaluation reserve	2,063,374	-	0.0%
23,505,000	Capital adjustment account	24,257,130	752,130	3.2%
25,568,374		26,320,504	752,130	2.9%
30,561,911	Total reserves	32,884,716	2,322,805	7.6%