

Agenda Item	9.
Report No	SCC/04/23

HIGHLAND COUNCIL

Committee: Sutherland County Committee

Date: 24 January 2023

Report Title: Dornoch Common Good Fund: Annual Report 2021/22, Proposed Budget 2023/24 and Quarter 3 Monitoring Statement 2022/23

Report By: ECO Communities and Place
Head of Corporate Finance

1. Purpose/Executive Summary

1.1 This report presents the Annual Report and Accounts of Dornoch Common Good Fund for Financial year 2021/22. The report also provides information on income and expenditure in relation to the Dornoch Common Good Fund for the first three quarters of 2022/23 and seeks approval of a grant award to Dornoch Area Community Interest Company for the development of a multi-use games area. Finally, the report presents a budget for Dornoch Common Good Fund for Financial Year 2023/24.

2. Recommendations

2.1 Members are asked to:

- i. Consider the Dornoch Common Good Fund Annual Report and Accounts for 2021/22.
- ii. Consider the position of the Dornoch Common Good Fund, as shown in the Q3 monitoring statement against budget for 2022/23.
- iii. Agree the Dornoch Common Good Fund Annual Budget for 2022/23.
- iv. Approve £50,000 for DACIC Project Curlew Phase 2 – Multi Use Games Area.

3 Implications

3.1 Resources

The projected outturn for the current year is a surplus of £14,712. The proposed budget for 2023/24 presents a deficit for the year of £25,759 due to the commitment to fund projects during 2023/24 and existing commitments carried forward. There are sufficient usable cash reserves to cover this in-year deficit.

3.2 Legal

The application of funds will fall within the competency guidelines set out both in statute and in common law in relation to Common Good Funds. The application of funds will comply with all financial regulations

3.3 Community (Equality, Poverty and Rural)

Dornoch Area Community Council was consulted on the proposed 2023/24 budget when it met in December 2022. Following that consultation, it is proposed to maintain the £25,000 available for grants to support community projects. The Community Council also expressed its support for the Project Curlew application at its November meeting.

3.4 Climate Change / Carbon Clever – None

3.5 Risk

As previously agreed, the budget will draw on reserves to support the DACIC Curlew project outlined below. It is important to protect reserves to cover liabilities falling to the fund and the proposed budget will maintain sufficient levels of reserves to manage that risk.

3.6 Gaelic – None

4. Annual Report 2021/22

4.1 Appendix 1 of this report shows the Income and Expenditure Account and Balance Sheet in respect of the Dornoch Common Good Fund for Financial Year 2021/22. Appendix 2 shows actual income and expenditure against budget for Financial Year 2021/22. Members are also referred to Dornoch Common Good Fund Annual report to 1 March 2021 Sutherland County Committee (ref SCC/04/21) which presented the 21/22 budget.

4.2 Expenditure

4.2.1 Grants and Contributions in 21/22 totalled £78,841 and are itemised in the table below.

Organisation	Project	Amount (£)
Dornoch Area Community Council	Asset Maintenance & Improvement 2	4,084.49
Dornoch Heritage (Historylinks Museum)	Extension project - 2 of 4	7,000.00
Dornoch Heritage (Historylinks Museum)	Extension project - 3 of 4	7,000.00
Dornoch Area Community Council	Asset Maintenance & Improvement 3	4,134.20
Dornoch Beach Wheelchairs	Sensory Musical Play Equipment	3,000.00
Dornoch Area Community Interest Co.	Car & Coach Park	39,760.00
Dornoch Area Community Council	Asset Maintenance & Improvement 4	4,362.80
East Sutherland Rescue Association	New Lifeboat Building Dornoch	9,500.00
Total		78,841.49

The Grants and Contributions budget of £129,760 was £50,918 underspent because:

- expenditure on the renovation of Dornoch Square toilets (budget £44,000) was coded to Property Repairs and Maintenance (see below) rather than Grants and Contributions as per the budget
- the fourth payment (of £7K) to Dornoch Heritage Society was not drawn down during FY21/22

4.2.2 Expenditure on Property Repairs and Maintenance totalled £43,091. Of this, £38,162 was expenditure on the renovation of Dornoch Square Toilets, with the remainder of the costs of the renovation of Dornoch toilets incurred in FY22/23. £4,929 was spent of professional fees and minor repairs and maintenance, in effect an underspend of £8,571 against the budget of £13,500.

4.3 Income

Income was essentially on budget for the Financial Year. Rents were all collected including for the salmon netting rights, the new lease for which was concluded in 21/22. The miscellaneous income comprises legal fees incurred by the fund subsequently reimbursed by third parties once Common Good leases are concluded. Investment income was less than budget, reflecting the low interest rates at the time.

4.4 Balances

Members are requested to note that the Fund shows a deficit for the year of £77,071, which is £20,788 less than the budgeted £97,660. This was largely due to the underspends outlined above. On 31 March 2022 the total assets of Dornoch Common Good were £886,553 including Usable Reserves (Revenue Funds) of £255,406 and, following revaluation, non-current reserves of £631,147.

4.5 Changes to Leases in 2021/22

4.5.1 The Dornoch Firth Salmon Nettings lease with Kyle of Sutherland District Salmon Fisheries Trust, effective 30 November 2020 was concluded 23 November 2021.

4.6 Disposal and Acquisitions 2021/22

4.6.1 There were no disposals or acquisitions in 2021/22.

5.. **2022/23 Third Quarter Monitoring Report**

5.1 Appendix 3 of this report shows the position of the Dornoch Common Good Fund at the end of the Third Quarter of the current Financial Year (2022/23), reported against the 2022/23 budget agreed by Sutherland County Committee in February 2022.

Overall, a surplus of £14,712 is forecast for Financial Year 2022/23.

5.2 Explanation of Variances

- Sales – land and buildings. This comprises the income from the sale of land at River Street and Well; Street and reimbursed legal and professional fees associated with those sales and the preparation of other common good leases and sales. This has resulted in a variance of £11,767.
- Invitation to Pay Income. This the share of the income for the Dornoch Beach Car Park due to Dornoch Common Good Fund which is predicted to be £2,322

6. Budget 2023/24

6.1 The proposed budget for 2023/24 is outlined in Appendix 4.

6.2 Rental Income

Rental income is received for the following properties:

- Dornoch Caravan and Camping Park,
- Dornoch Pumping Station/ Water Treatment Works,
- Dornoch Firth Salmon Netting Rights,
- Dornoch Golf Courses (part)
- Hangar at Dornoch Airfield,
- Sutherland Agricultural Society Shed
- Coastguard Station,
- Land at Well St.

The negotiation of a new lease with Royal Dornoch Golf Club has now concluded and will lead to an increase in rental income. Actual rent levels are linked to visitor numbers until 2030. Additional rent will be payable once the clubhouse project commences, and this additional rent will be linked to visitor numbers until the lease expires in 2122. This budget assumes sufficient visitors to trigger payment of the full rent, but no payment of additional rent. All other leases and rent reviews are up to date.

6.3 Invitation to Pay Income

The estimated income to Dornoch Common Good is £4,500 based on income earned in the current year.

6.4 Interest On Revenue Balances

It is anticipated that interest receivable on projected surplus balances will be approx. £2,500 in 2022/23, based on the interest paid in 2021/22 (see Appendix 1).

6.5 Staff costs

Staff costs comprise the Dornoch Common Good Fund contribution towards the costs of the Council's Common Good Officer. All Common Good funds contribute to these costs. £3,000 budget is the expected expenditure in 2022/23 based on actual and projected expenditure for 2021/22 and 2022/23.

6.6 Grants and Contributions

Grants and Contributions include final tranches of £7,000 for Dornoch Heritage SCIO, and £4,999 to DACIC for the Dornoch BID project, both of which will be carried forward to the 2023/24 budget. The £25,000 allocated for community projects will remain unchanged. Further detail on Project Curlew Phase 2 is provided in Section 7.

The Grants and Contributions budget for 22/23 will be as follows:

Project	Amount (£)
Community Projects	25,000
DACIC Project Curlew Phase 2 MUGA	50,000
Subtotal	75,000
Budget Carried Forward	
Dornoch Heritage SCIO – Historylinks Museum Extension	7,000
Dornoch BID	4,999
Total 23/24	86,999

6.7 Miscellaneous Property Costs

This relates principally to property costs (usually relating to repair and maintenance of footpaths, benches, fences etc. around the beach car park, on the links and Dornoch Burn), but also includes legal and other expert costs when these are required, for example relating to rent reviews. Since April 2020 the Council's Estates Team service has been charging for staff time spent on Common Good issues. This is to reflect the additional time staff spend on the renegotiation of leases, rent reviews and community consultations. It is proposed to maintain the budget at £13,500 in 2023/24.

6.8 Fund Balance

Members are asked to note that the proposed amended budget will lead to an excess of expenditure over income of £25,759 which will require to be funded from the Fund's reserves. Given the balance of £255,406 useable cash reserves at 31 March 2022, this will result in usable reserves of £270,118 at 31 March 2023, the projected deficit for 2023/24 is considered affordable. It would not however be sustainable for the Fund to run an annual deficit on a recurring basis.

7 **DACIC Project Curlew Phase 2 – Multi Use Games Area**

7.1. DACIC

Dornoch Area Community Interest Company (DACIC) is a voluntary organisation formed in 2007 aiming to:

- enhance Dornoch town centre while preserving its historic and cultural heritage
- encourage development of new business employment opportunities
- ensure a quality range of services continues to be available
- manage community land and associated assets.

7.2 Dornoch South

Dornoch South, is the site of the former Dornoch Abattoir which closed in 2010 and was demolished in 2015/16. Student accommodation was built on part of the site, but the remainder lay derelict. In March 2020 DACIC was awarded £216,411 from the Scottish Land Fund to buy the remaining site to develop "Project Curlew". The site extends to about 33,950 sq.m. and is approximately 40 meters from the main town square.

7.3 Project Curlew

The Project Curlew Masterplan aims to develop the whole Dornoch South site in phases over time as funding becomes available to ensure sustainability:

- Phase 0: Purchase of land and remediation work to site – completed
- Phase 1: Car and Coach Park – completed
- Phase 2: Multi-Use Games Area (MUGA) and winter skating – this application.
- Phase 3: New community centre with 3-lane curling rink. In summer, the ice will be thawed creating a large arena for sports and cultural events and synthetic ice for 'mini curling'
- Phase 4: Golf driving range on the low-lying southern end of the site.

7.4 Proposal

The MUGA will provide local residents, UHI students and visitors with a variety of sporting options:

- five a side football pitch
- two tennis courts
- lined area for basketball/netball

- softball cricket introduction and practice

The area will be floodlit to allow for evening and winter operation. Access to the MUGA will be via an on-line booking portal linked to an electronic gate entry system, which will also control the floodlights. Each booking gets a time bound code to open the gate. For those without internet access, bookings can be made in the Dornoch Hub also owned and operated by DACIC.

The MUGA operation will be funded by charging for use (£6 per hour), in a similar manner to other sporting facilities. This is to cover staff and other running costs and maintenance of the facility. Staff are required to set up and take down nets and posts for tennis to allow the full area to be available for 5 a side football, basketball and netball. There is an annual cost of £1,000 to jet clean in spring and apply moss treatment spring and autumn. An amount will be put aside in a reserved fund for the repainting on the court lines required every 6 years and costing £6,000.

A second (as yet unfunded) phase of the project will add a 20m x 10m synthetic ice rink. The ecological synthetic skating rink uses neither electricity nor water and is made up of panels which click together to form the surface and barrier surrounds, but in summer can be stored in metal containers on site. Two members of staff will be on during the skating sessions, one to maintain the ice and one to issue skates.

7.5 Costs and funding

The project costs are as follows:

Item	Amount
MUGA - Site Preparation, foundations, sockets, anchors, drainage, base, surface, playing lines, 2 x tennis posts, nets & centre bands, 3m high sports ball court fencing with goals basketball hoop net & backboard above. Storage area for tennis nets when not in use	£132,883
Floodlighting	£24,466
Landscaping	£1,000
Services (lighting & water standpipe)	£10,000
Professional Fees 10% of build costs	£16,835
Contingency 10% of build costs	£16,835
Electronic access system	£11,967
Total	£213,986

The project will be funded by the following:

Source	Amount	Status
Sport Scotland	£50,000	Confirmed
Highland Council Pot 170 – Developer Fund	£50,000	Confirmed
Highland Council Community Regeneration Fund	£63,986	Decision awaited
Dornoch Common Good Fund	£50,000	This application
Total	£213,986	

7.6 Community Support

DACIC carried opened a survey in Autumn 2022 which received 169 responses. Of these 139 (89%) supported the MUGA and 116 (74%) supported the skating rink. Tennis was wanted by 106 (73%), football by 103 (71%) and basketball by 83 (57%). 20% of respondents anticipated using the MUGA 2-3 times a week, and 35% once a week. 74 respondents are interested in a partnership with Tain Tennis Club to provide coaching. The Active Schools Co-ordinator has expressed support for the project identifying the proposed MUGA as a valuable additional sports facility, ideally situated in the heart of Dornoch.

At its November 2022, Dornoch Area Community Council expressed support for the project and for it to receive Common Good funding.

Members are asked to agree to award £50,000 from the Dornoch Common Good Fund towards Project Curlew. As noted above, supporting this development will result in funds requiring to be drawn down from Reserves.

8 Future Strategy for Common Good Reserves

- 8.1 The increase in income following the signing of the lease with Royal Dornoch Golf Club provides an opportunity to consider the future management the fund's reserves. Strategies might include continuing with the longstanding policy of building reserves for a significant community project such as a new community centre or sports facility, in which case there needs to be consideration if, and how, the increasing reserves should be invested to protect and grow the value of the fund. Alternatively, reserves could be kept to a minimum, sufficient to cover any immediate liabilities, with funds otherwise being invested in community initiatives and projects. The fund has been used to support several significant projects in recent years, however this has tended to be reactive as applications are received rather than representing strategic investment in community priorities. Work will be undertaken with Members during 23/24 to consider these options to inform the 24/25 budget.

9 Property Update

Royal Dornoch Golf Club

As stated above, the lease with Royal Dornoch Golf Club has now been concluded.

Dornoch Burn

The changing profile of the beach and dunes at Dornoch has caused the mouth of Dornoch Burn to move approximately 800m south from its original position, significantly extending the run of the lower part of the burn. This appears to have reduced the rate of flow of the lower part of burn leading to siltation, particularly in the Caravan Park. Following a meeting between Council Officials and NatureScot, NatureScot have agreed to arrange a visit of the River Restoration Centre to advise on what steps may be taken to remedy the situation. Members will be updated in due course.

Designation: ECO Communities and Place
Head of Corporate Finance

Date: 9 January 2023

Author: Phil Tomalin, Ward Manager
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Jackie McLaughlin, Principal Accounting Technician

APPENDIX 1

STATEMENT OF ACCOUNTS 2021-22
Dornoch Common Good Fund

Income and Expenditure Account	2021/22	2020/21
	£	£
<u>Expenditure</u>		
Grants and contributions	78,842	21,141
Property repairs and maintenance	43,091	6,240
Administration charges	102	100
Staff Costs	3,895	2,875
Total expenditure	<u>125,930</u>	<u>30,357</u>
<u>Income</u>		
Rents	46,180	45,600
Miscellaneous income	1,975	-
Interest and investment income	704	2,240
Total income	<u>48,859</u>	<u>47,840</u>
Surplus/(deficit) for the year	(77,071)	17,482
Revaluation gains/(losses)	<u>77,479</u>	<u>1,730</u>
Total comprehensive income and expenditure	<u>408</u>	<u>19,212</u>
Balance Sheet	31/03/2022	31/03/2021
	£	£
<u>Non current assets</u>		
Investment Properties	608,897	531,418
Heritage assets	22,250	22,250
	<u>631,147</u>	<u>553,668</u>
<u>Current assets</u>		
Loans fund deposits	280,567	332,678
<u>Current Liabilities</u>		
Other Creditors	<u>(25,161)</u>	<u>(201)</u>
Total assets	<u>886,553</u>	<u>886,145</u>
Usable reserves		
Revenue funds	255,406	332,477
Unusable reserves		
Revaluation reserve	22,250	22,250
Capital adjustment account	608,897	531,418
	<u>631,147</u>	<u>553,668</u>
Total reserves	<u>886,553</u>	<u>886,145</u>

APPENDIX 2

Dornoch Common Good - Quarterly Monitoring Period to Mar 2022

	Actual 21/22 £	Budget £	Variance £
INCOME			
Rents	46,180	45,600	580
Misc Income	1,975	-	1,975
Interest and investment income	704	2,500	(1,796)
TOTAL INCOME	<u>48,859</u>	<u>48,100</u>	<u>759</u>
EXPENDITURE			
Staff Costs	3,895	2,500	1,395
Grants & contributions	78,842	129,760	(50,918)
Property Repairs	43,091	13,500	29,591
Miscellaneous Costs	102	-	102
TOTAL EXPENDITURE	<u>125,930</u>	<u>145,760</u>	<u>(19,829)</u>
Surplus/(deficit) for the year	(77,071)	(97,660)	20,588
Revaluation gains/(losses)	77,479	-	77,479
Total comprehensive income and expenditure	<u><u>408</u></u>	<u><u>(97,660)</u></u>	<u><u>98,067</u></u>
Usable reserves (Appendix 1)	<u><u>255,406</u></u>		

APPENDIX 3

Dornoch Common Good - Quarterly Monitoring Period to December 22

	Actual to date £	Budget £	Estimated Outturn £	Variance £
INCOME				
Rents	45,290	45,890	45,890	-
Sales-Land/Building	11,767	-	12,000	12,000
Invitation to pay income	2,322	-	2,322	2,322
Interest and investment income	-	2,500	2,500	-
TOTAL INCOME	<u>59,379</u>	<u>48,390</u>	<u>62,712</u>	<u>14,322</u>
EXPENDITURE				
Staff Costs	1,263	2,500	2,500	-
Grants & contributions	19,089	32,000	32,000	-
Miscellaneous Costs	<u>9,112</u>	<u>13,500</u>	<u>13,500</u>	<u>-</u>
TOTAL EXPENDITURE	<u>29,464</u>	<u>48,000</u>	<u>48,000</u>	<u>-</u>
 Income less Expenditure	 <u>29,915</u>	 <u>390</u>	 <u>14,712</u>	 <u>14,322</u>
 Audited Usable Reserves 2021/22 (Appendix 2)		 £255,406		
Estimated outturn for 22/23		<u>14,712</u>		
Estimated Usable Reserves 2022/23		<u>£270,118</u>		

**Dornoch Common Good Fund
Budget 2023/24**

	2023/24	
INCOME	£	
Rents	70,740	
Invitation to Pay Income	4,500	
Interest and investment income	<u>2,500</u>	
TOTAL INCOME	77,740	
EXPENDITURE		
Staff Costs	3,000	
Grants & contributions	86,999	
Miscellaneous Costs	<u>13,500</u>	
TOTAL EXPENDITURE	103,499	
Income less Expenditure	<u><u>(25,759)</u></u>	
Estimated Usable Reserves 2022/23 (Appendix 3)	270,118	
Budget surplus/(deficit) for 23/24	<u>(25,759)</u>	
Forecast year end reserves 23/24	<u><u>244,359</u></u>	

Grants and Contributions

Project	Amount (£)
Community Projects	25,000
DACIC Project Curlew Phase 2 MUGA	50,000
Subtotal	75,000
Budget Carried Forward	
Dornoch Heritage SCIO – Historylinks Museum Extension	7,000
Dornoch BID	4,999
Total 23/24	86,999