

Agenda Item	8a
Report No	CIA/6/23

THE HIGHLAND COUNCIL

Committee: City of Inverness Area Committee

Date: 13 February 2023

Report Title: Inverness Common Good Fund Annual Report 2021/22

Report By: Executive Chief Officer, Communities and Place
Head of Corporate Governance

1. Purpose/Executive Summary

- 1.1. This report presents the final outturn and audited Statement of Accounts for 2021/22 for Inverness Common Good Fund (ICGF).
- 1.2. An overall revenue surplus of £0.962m was achieved per the final outturn. This was used to partly fund expenditure on projects of £1.670m (mainly the Market Hall at the Victorian Market), with the balance of project spend (£0.707m) being taken from reserves.
- 1.3. It should however be noted that the revenue surplus achieved was still impacted by COVID-19, which resulted in delays in some expenses. These expenses were carried over into 2022/23.

2. Recommendations

- 2.1. Members are asked to:
 - i. Consider and note the final monitoring report and Statement of Accounts for the Inverness Common Good Fund for the year ended 31 March 2022.

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 2021/22

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 2021/22.

4.2 **Appendix 1** shows a surplus of income over expenditure of £0.962m, before capital projects. The Budget for the year showed an expected deficit of £0.477m. The main contributors to the variance between Budget and Actual (£1.439m) are as follows:

- Overall, expenses were £0.499m lower than Budget, noting the continuing impact of COVID-19, with Civic and Conference Hospitality, Grants and Events & Festivals showing the largest monetary variances.
- Income was £0.940m higher than Budget, which included £0.159m from Rents & Lettings, £0.651m of grant income and £0.129m investment income.

Commentary on significant variances (greater than £0.010m) is set out in sections 5 and 6 below.

Appendix 1 shows a Budget project spend of £1.964m. Due to various delays, only £1.670m was spent in the year, with the balance of expenditure (£0.294m) carried over into 2022/23.

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; and
- Events and Festivals.

The above activities were impacted by 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 greater than £0.010m – Income

5.1 Rents – Industrial Estates

The income of £1.805m is £0.138m 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 £0.138m was £0.010m more than budgeted. The impact of the refurbishment project on rental income through the temporary loss of units was as expected although progress was made on the recovery of rent arrears due to COVID-19.

5.3 Rents – Other Properties

Income of £0.047m is £0.013m higher than budgeted. This is due to COVID-19 arrears being recovered.

5.4 Other Income – Income from Investments

As in previous years, Investment income received from the ICGF Property and Share Portfolio, amounting to £0.129m (£0.112m in 2020/21), has been re-invested.

5.5 Other Income – Contribution from Town Centre Funding to support COVID-19 recovery

These grants, totalling £0.121m, relate to additional contributions to the costs of delivering projects to uplift vibrancy post COVID-19 within the City centre such as the City Flowering project (£0.061m) and the City Centre Gift Card Scheme (£0.060m) delivered in partnership with Inverness Business Improvement District.

In addition, £0.137m was received which was credited to deliver the winter festival, principally the Winter Wonderland at Bellfield Park, Halloween and Christmas lights.

5.6 Other Income – Contributions for capital improvements

Again, these grants were not Budgeted for as these came from additional funds made available through the Place Based Investment Fund. £0.273m was made available for Victorian Market Hall and £0.120m for the Town House project.

6. Variances greater than £0.010m – Expenditure

6.1 The following budgets incurred modest overspends due to additional works held back from the previous financial year.

- Victorian Market Operations: £0.014m higher than Budget
- Town House Maintenance: £0.016m higher than Budget

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

- Civic and Conference Hospitality: £0.105m less than Budget;
- Festive Lights: £0.024m less than Budget;
- Town Twinning: £0.007m less than Budget;
- Conference Support: £0.044m less than Budget;
- City Promotions: £0.024m less than Budget;
- Events & Festivals: £0.123m less than Budget;

The following budgets incurred a modest overspend to accommodate additional efforts to provide for the stay-cation economy.

- Castle Wynd Conveniences: £0.014m higher than Budget;
- Partnership Working: £0.025m higher than Budget;

6.2 Other Properties

The underspend of £0.038m is due to slippage in maintenance work which was carried forward to 2022/23.

6.3 Winter Payments

The committee agreed on 26 August 2021 to a budget of £0.200m, allowing for individual payments to be set at £88 per claim. Then, following a Notice of Motion and a further report, being agreed at committee on 17th February 2022, the budget was further increased to £138 per Claim, with an additional £0.100m being set aside from underspends within the 21/22 ICGF Budget to accommodate. In consequence the Outturn of £0.284m was properly accommodated through budgeted income.

Actual payments were £0.284m; an underspend of £0.016m on the increased £0.300m budget.

6.4 Inverness Common Good Fund Grants

The original budget of £0.623m comprised £0.348m for grants committed prior to 2021/22, and £0.275m for 2020/21 grant approvals.

The underspend of £0.310m relates largely to projects where funding had been agreed before or during 2021/22, but where the delivery of the project and all or part of the actual expenditure did not take place before the end of 2021/22.

The sum of £0.345m for grants committed during or prior to 2021/22 was rolled forward into the 2022/23 budget.

6.5 Investment Advisor Fees

The overspend of £0.029m higher than Budget is due to the Budget not including provision for Adam & Co fees, which were £0.028m (£0.030m in 2020/21).

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. An underspend of £0.294m is shown. This was due to the ongoing impact of COVID-19 in 21/22, resulting in expected expenditure on phase 3 of the Conservation of the External Fabric of the Town House, principally contract retentions, not being paid due to project slippage. The remaining portion of the underspend was due to the project for the refurbishment of the Victorian Market Hall and Fish Hall being delivered £0.143m under budget

8. **Statement of Accounts 2021/22 (Appendix 2)**

8.1 The Statement of Accounts is comprised of an Income and Expenditure Statement for the year ended 31 March 2022 and a Balance Sheet as at 31 March 2022.

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 2021/22 shows a surplus of £1.063m whereas the final Monitoring for 2021/2 showed a revenue surplus of £0.962m. 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 (£1.785m) and the investment properties and plant and equipment held by the Common Good are represented by the Capital Adjustment Account (£24.573m).
- 8.6 The value of the investment portfolio (£5.635m) along with that of debtors, loans fund deposits and creditors are held in Revenue Funds (£5.911m). This is the Usable Reserve and represents actual funds available.

Designation: Allan Gunn, Executive Chief Officer, Communities and Place

Date: 2 February 2023

Author: David Haas, Inverness City Area Manager
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Background Papers: N/A

**MONITORING STATEMENT 2021/22
INVERNESS COMMON GOOD FUND
FOR PERIOD ENDING MARCH 2022**

	ACTUAL £000	BUDGET £000	VARIANCE £000	
EXPENDITURE				
Victorian Market Maintenance	52	48	4	9.2%
Victorian Market Operations	249	235	14	5.9%
Victorian Market Management	53	53	(0)	-0.3%
Town House Maintenance	116	100	16	16.1%
1-5 Church Street Maintenance	1	5	(4)	-88.7%
Other Properties	90	128	(38)	-29.8%
Civic and Conference Hospitality	20	125	(105)	-84.0%
Ness Islands & Bank Maintenance	35	35	-	0.0%
ICGF Bowling Clubs	64	50	14	27.6%
River Ness Fishings	16	20	(4)	-17.6%
Festive Lights	49	73	(24)	-32.4%
Town Twinning	2	9	(7)	-75.0%
Winter Payments	284	200	84	42.1%
Inverness Common Good Fund Grants	313	623	(310)	-49.8%
Conference Support	18	62	(44)	-71.4%
City Promotions	18	42	(24)	-56.3%
Castle Wynd Conveniences	36	22	14	62.8%
Partnership Working BIDS	208	183	25	13.8%
Events & Festivals	180	303	(123)	-40.6%
CCTV	85	90	(5)	-5.2%
Property Management Fees	135	140	(5)	-3.6%
Central Support Charge	87	85	2	2.6%
Inverness Steeple	-	5	(5)	-100.0%
Commemorative Bedding	7	11	(4)	-34.1%
Investment Advisor Fees	39	10	29	285.7%
Press & Public Relations	10	10	1	5.7%
TOTAL EXPENDITURE	2,168	2,667	(499)	-18.7%
FUNDED BY:				
Rents & Lettings				
Industrial Estates	1,805	1,667	138	8.3%
Victorian Market	138	128	10	7.6%
Town House	235	234	1	0.5%
1-5 Church Street	95	96	(1)	-0.8%
River Ness Fishing Rights	8	10	(2)	-15.0%
Other Properties	47	34	13	37.5%
Other Income			0	
Fishing Assessment Dues	16	20	(4)	-18.6%
Investment Income	129	-	129	0.0%
Partnership Working BIDS Town Centre Funding	121	-	121	0.0%
Events & Festivals Town Centre Funding	137	-	137	0.0%
Victorian Market Hall improvements	273	-	273	0.0%
Town House refurbishment	120	-	120	0.0%
Refund VAT Invest Mngt Fees22	3	-	3	0.0%
Interest on Revenue Balances	3	1	2	158.7%
TOTAL FUNDING	3,130	2,190	940	42.9%
Surplus/(deficit) before projects	962	(477)	1,439	-301.8%
PROJECT SPEND				
Town House Refurbishment - Phase 3	257	400	(143)	-35.8%
Bowling Clubs	45	42	3	7.8%
Town House - Civic Floor	39	40	(1)	-3.0%
Whin Park Improvement Works	13	13	(0)	-1.2%
Victorian Market - Market Hall Improvements	1,316	1,435	(119)	-8.3%
Compensation Payments - Victorian Market	-	34	(34)	-100.0%
TOTAL	1,670	1,964	(294)	-15.0%
Surplus/(deficit) after projects	(707)	(2,441)	1,733	-71.0%
Year end accounts adjustments not in Monitoring:				
Project/repairs costs capitalised	1,716	-	1,716	0.0%
Depreciation	(4)	-	(4)	0.0%
Revaluation gains/(losses)	(1,620)	-	(1,620)	0.0%
Total comprehensive income and expenditure	(615)	(2,441)	1,825	-74.8%
Audited Usuable reserves (Appendix 2)	5,911			

STATEMENT OF ACCOUNTS
Inverness Common Good Fund

Income and Expenditure Account				
2020/21	Year ended 31 March	2021/22	Mvmt	Mvmt %
£		£	£	
	<u>Expenditure</u>			
225,707	Staff costs	219,477	(6,230)	-2.8%
117,771	Property costs	233,111	115,341	97.9%
636,559	Other costs	625,920	(10,639)	-1.7%
367,478	Grants and contributions	839,376	471,899	128.4%
205,383	Administration charges	200,767	(4,616)	-2.2%
-	Depreciation	4,220	4,220	0.0%
1,552,898	Total expenditure	2,122,872	569,974	36.7%
	<u>Income</u>			
2,173,781	Rents	2,286,248	112,467	5.2%
217,449	Miscellaneous income	59,391	(158,058)	-72.7%
2,128	Interest on revenue balances	2,587	459	21.6%
112,164	Income on investments	128,763	16,599	14.8%
335,951	Capital Grants and contributions	393,049	57,098	17.0%
-	Grants and contributions	258,000	258,000	0.0%
363,931	Realised gain on sale of investments	57,983	(305,948)	-84.1%
3,205,404	Total income	3,186,022	(19,382)	-0.6%
1,652,506	Surplus/(deficit) for the year	1,063,150	(589,356)	-35.7%
74,347	Revaluation gains/(losses)	(1,674,048)	(1,748,395)	-2351.7%
959,883	Unrealised gains/(losses) on investments	53,734	(906,149)	-94.4%
(363,931)	Realised gains recycled through CIES	(57,983)	305,948	-84.1%
2,322,805	Total comprehensive income and expenditure	(615,147)	(2,937,952)	-126.5%
	Balance Sheet			
31/03/2021	As at	31/03/2022	Mvmt	Mvmt %
£		£	£	
	<u>Non current assets</u>			
24,257,130	Investment properties	24,556,130	299,000	1.2%
5,480,592	Investments at valuation	5,634,729	154,137	2.8%
2,063,374	Heritage Assets	1,785,111	(278,263)	-13.5%
-	Plant and Equipment	16,881	16,881	0.0%
31,801,096		31,992,851	191,755	0.6%
	<u>Current assets</u>			
-	Sundry debtors	97,767	97,767	0.0%
1,179,604	Loans fund deposits	539,276	(640,328)	-54.3%
1,179,604		637,043	(542,561)	-46.0%
	<u>Current liabilities</u>			
(95,984)	Sundry creditors	(360,324)	(264,340)	275.4%
32,884,716	Total assets	32,269,570	(615,147)	-1.9%
	Usable reserves			
6,564,213	Revenue funds	5,911,448	(652,764)	-9.9%
	Unusable reserves			
2,063,374	Revaluation reserve	1,785,111	(278,263)	-13.5%
24,257,130	Capital adjustment account	24,573,011	315,881	1.3%
26,320,504		26,358,122	37,618	0.1%
32,884,716	Total reserves	32,269,570	(615,147)	-1.9%