

<b>Agenda Item</b>	<b>8b</b>
<b>Report No</b>	<b>CIA/07/23</b>

## THE HIGHLAND COUNCIL

**Committee:** City of Inverness Area Committee

**Date:** 13 February 2023

**Report Title:** Inverness Common Good Fund  
Financial Monitoring Report

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

### 1. Purpose/Executive Summary

1.1 This report presents the expenditure monitoring position for the Inverness Common Good Fund (ICGF) as at 31 December 2022 and the projected year end position.

### 2. Recommendations

2.1 Members are asked to:

- i. Note the financial monitoring report to 31 December 2022 and the projected outturns detailed in Appendices 1 and 2 and the impact on the Fund's reserves.

### 3. Implications

3.1 **Resource implications** - The report details the financial resource implications. There are no other resource implications. The report notes that the latest projected underspend is £0.122m (core overspend £0.016m; project underspend £0.138m) in this year's budget which is set out in more detail at paragraph 5, below.

However, it is very important to note that £0.841m (Budget £0.963m) will require to be drawn down from reserves to meet planned commitments, resulting in usable reserves anticipated to be £4.793m at 31 March 2023. Further details are shown in **Appendix 4**.

3.2 **Legal implications** - 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.

3.3 **Community (Equality, Poverty, Rural and Island) impacts** – None.

3.4 **Climate Change / Carbon Clever implications**– None

3.5 **Risk implications** – The current tenancy lettings market is very challenging, with escalating staff and energy costs undermining confidence in small businesses taking on new leases. This has resulted in delays in being able to fully let the refurbished areas of the Victorian Market. The ICGF will need to continue to carry a number of tenancy voids for the Victorian Market, including service charges which cannot be recovered from other tenants. The annual report on the Victorian Market is proposed to be presented to Committee on 5 June 2023.

3.6 **Gaelic implications** – None

#### 4. **Introduction**

4.1 The purpose of the report is to advise members of the anticipated financial position against the agreed budget at the end of financial year 2022/23. **Appendices 1 and 2** show both core and project income and expenditure to 31 December 2022, the predicted year end outturn and the predicted variance.

4.2 The current status of Capital Projects will be presented under a separate report later on this agenda.

#### 5. **Overview of 22/23 Budget Status**

5.1 **Appendix 1** shows the core revenue budget expenditure for the year of £2.695m, to be met by budgeted revenue income of £2.230m (plus a transfer from Reserves of £0.465m (£0.444m of this reserves sum is from the 2021/22 grant budget underspend) as previously agreed by this Committee.

5.2 Overall, and taking in account the additional £0.100m agreed on 4 November for Winter Payments, core spend, and income received, is currently anticipated to show an overall £0.016m overspend. The Victorian Market Operations outturn has been increased by £0.023m to accommodate long term staff absence.

5.3 As reported previously, additional works continue to be undertaken through the maintenance budget to ensure that the new units in the refurbished Market Hall have been fitted out with landlords' fixtures and fittings to accommodate specific tenant requirements totalling £0.150m.

5.4 The £0.016m Core overspend is due to the need to account for the Council's liability for Service Charge against vacant units within the refurbished Victorian Market Food Hall. This is balanced by additional income from Industrial Estates rent and from savings made on revenue expenditure.

- 5.5 **Appendix 2** shows that both the Town House Phase 3 and the Victorian Market project have progressed as planned, with the Victorian Market in its retention period and the Town House complete. The Town House project has a very small overspend of £0.005m. The Victorian Market Refurbishment is expected to be completed with a £0.143m underspend, with the overall underspend on projects being £0.138m, which has been used to facilitate fitting out of individual market hall units to suit tenants' needs, as previously reported to this committee.
- 5.6 **Taking into account the core overspend of £0.016m and the project underspend of £0.138m, the overall underspend is anticipated to be £0.122m**
- 5.7 **Appendix 3** shows the current detail of the Events & Festivals spend. The 2022/23 budget is expected to come in on target.

## 6. Reserves

- 6.1 **Appendix 4** shows the reserves position for the fund to date and projected value, reflecting decisions taken to use reserves for core spend and projects. Any further requests for additional funding, or new initiatives requiring funding, will also impact on the future level of the Fund's reserves. Such requests will be brought to subsequent meetings of this committee for approval and if approved, this statement will be updated to show the financial impact on reserves.

It is very important to note that £0.841m (Budget requirement £0.963m) will require to be drawn down from reserves to meet planned commitments in 2022/23, resulting in usable reserves anticipated to be £4.793m at 31 March 2023. Further details are shown in **Appendix 4**.

- 6.2 The Council has delegated power to manage cash Investments by ICGF to the Investment Sub-committee, which reports to the Pensions Committee. The City Area Committee has power to administer the Revenue income of the ICGF and Projects. In this context, officers can confirm that the value of the fund increased by 2.9% during the quarter to 31 December 2022, in contrast to a benchmark increase of 6.8%. On a year-to-date basis, the Fund has fallen by 10.0% in contrast to the benchmark fall of 5.5%. The value of the investments at end of December 2022 was £5.358m.
- 6.3 The value of the investments is subject to constant change based on the market conditions. It is therefore an important area for consideration to inform funding priorities for the ICGF.

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Date: 7 February 2023

- Appendix 1: ICGF Monitoring Statement 31 Dec 2022/23 – Core Spend
- Appendix 2: ICGF Monitoring Statement 31 Dec 2022/23 – Project Spend
- Appendix 3: ICGF Monitoring Statement 31 Dec 2022/23 – Events & Festivals
- Appendix 4: ICGF Monitoring Statement 31 Dec 2022/23 – Reserves

**APPENDIX 1  
MONITORING STATEMENT 2022/23  
INVERNESS COMMON GOOD FUND CORE SPEND  
FOR PERIOD ENDING DECEMBER 22**

		<b>ACTUAL YEAR TO DATE £000</b>	<b>ANNUAL BUDGET £000</b>	<b>ESTIMATED OUTTURN £000</b>	<b>ESTIMATED VARIANCE £000</b>
<b>EXPENDITURE</b>	<b>Cost classification</b>				
Victorian Market Maintenance	Essential	209	67	217	150
Victorian Market Service Charge	Cost Recovery	123	-	145	145
Victorian Market Operations	Cost Recovery	136	145	168	23
Victorian Market Management	Cost Recovery	42	55	55	-
Town House Maintenance	Essential	75	100	100	-
Other Properties	Essential	133	155	200	45
Civic and Conference Hospitality	Discretionary	71	125	115	(10)
Ness Islands & Bank Maintenance	Essential	2	36	36	-
ICGF Bowling Clubs	Essential	26	51	51	-
River Ness Fishings	Essential	0	20	16	(4)
Festive Lights	Cost Recovery	2	73	43	(30)
City Centre - Festive Lights	Discretionary	11	100	100	-
Town Twinning	Discretionary	-	9	-	(9)
Winter Payments	Discretionary	213	200	300	100
Inverness Common Good Fund Grants	Discretionary	160	582	582	-
Conference Support	Discretionary	40	83	63	(20)
City Promotions	Discretionary	29	63	33	(30)
Partnership Working BIDS	Discretionary	64	177	177	-
Events & Festivals	Discretionary	231	303	303	-
CCTV	Discretionary	-	90	90	-
Property Management Fees	Cost Recovery	-	143	143	-
Central Support Charge	Cost Recovery	11	87	87	-
Commemorative Bedding	Discretionary	-	11	-	(11)
Investment Advisor Fees	Cost Recovery	6	10	10	-
Press & Public Relations	Cost Recovery	10	10	10	-
<b>TOTAL EXPENDITURE</b>		<b>1,594</b>	<b>2,695</b>	<b>3,044</b>	<b>349</b>
<b>FUNDED BY:</b>					
<b>Rents &amp; Lettings</b>					
Industrial Estates		1,799	1,740	2,005	(265)
Victorian Market		115	90	150	(60)
Town House		241	234	242	(8)
1-5 Church Street		86	96	96	-
River Ness Fishing Rights		6	10	10	-
Other Properties		29	35	35	-
		2,276	2,205	2,538	(333)
<b>Other Income</b>					
Fishing Assessment Dues		-	20	20	-
Refund VAT Invest Mngt Fees		2	4	4	-
Interest on Revenue Balances		-	1	1	-
<b>TOTAL FUNDING</b>		<b>2,278</b>	<b>2,230</b>	<b>2,563</b>	<b>(333)</b>
<b>IN YEAR SURPLUS AVAILABLE FOR PROJECT SPEND/ (DEFICIT TO BE FUNDED FROM RESERVES)</b>		<b>684</b>	<b>(465)</b>	<b>(481)</b>	<b>16</b>

Unspent Commitments from 2021/22 included in expenditure lines above

Other Properties	46	46
Grants	307	307
Conference Support	43	43
Other Properties	22	22
Joint Working BIDS	26	26
	<u>444</u>	<u>444</u>

**APPENDIX 2  
MONITORING STATEMENT 2022/23  
INVERNESS COMMON GOOD FUND PROJECT SPEND  
FOR PERIOD ENDING DECEMBER 22**

	<b>ACTUAL YEAR TO DATE</b>	<b>ANNUAL BUDGET</b>	<b>ESTIMATED OUTTURN</b>	<b>ESTIMATED VARIANCE</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>PROJECT SPEND</b>				
Town House Refurbishment - Phase 3	85	80	85	5
Victorian Market - Market Hall Improvements	207	410	267	(143)
Compensation Payments - Victorian Market	3	8	8	0
<b>TOTAL TO BE FUNDED FROM RESERVES</b>	<b>295</b>	<b>498</b>	<b>360</b>	<b>(138)</b>

**APPENDIX 3**  
**Events and Festivals Budget Monitoring**  
**FOR PERIOD ENDING DECEMBER 22**

	<b>ACTUAL</b>
	<b>YEAR TO DATE</b>
	<b>£</b>
<b>Income</b>	
Grants	-
Merchandise Income	-
Income	(61,629)
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	(61,629)
 <b>Expenditure</b>	
Entertainers	91,507
Equipment	139,952
Event Office	27,826
Council Staff	3,300
Marketing	6,270
Licences	-
Security and First Aid	23,439
Events Merchandise	-
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	292,294
 <b>Net Total Expense/(Income)</b>	<hr/>
	<b>230,664</b>
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**APPENDIX 4  
MONITORING STATEMENT 2022/23  
INVERNESS COMMON GOOD FUND RESERVES  
FOR PERIOD ENDING DEC 22**

**£000**

Value of investment portfolio at 30.09.2022	5,207
Change in value of investment portfolio over 2022/23 Q3	151
Value of investment portfolio at 31.12.2022	<u>5,358</u>
* Loans Fund balance (cash reserves) as at 31.03.2022	539
Net Other Debtors/Creditors at 31.03.22	(263)
	<u>276</u>
Total reserves balance as at 31.12.22	<u>5,634</u>
Anticipated use of reserves during 2022/23:	
To fund core budget spend (from Appendix 1)	(481)
To fund project spend (from Appendix 2)	(360)
	<u>(841)</u>
Anticipated Reserves as at 31.03.2023**	<u><b>4,793</b></u>
Loan Funds balance 31.3.22, net of year end net liabilities	276
Anticipated use of reserves during 2022/23	(841)
Anticipated disinvestment	(565)
<b>Anticipated disinvestment (rounded up to nearest £0.010m)</b>	<u><b>(570)</b></u>

\* Audited

\*\* does not take into account any potential movement in value of investments over remainder of the year