

Agenda Item	8.
Report No	SCC/05/24

The Highland Council

Committee: Sutherland County Committee

Date: 23 January 2024

Report Title: Dornoch Common Good Fund – 2022/23 Annual Accounts and Final Monitoring, 2023/24 Quarter Three Monitoring Report 2023/24 and 2024/25 Proposed Budget

Report By: ECO Communities and Place
Head of Corporate Finance

1. Purpose/Executive Summary

- 1.1 This report presents the Dornoch Common Good Fund Statement of Accounts and final monitoring for 2022/23. An overall revenue surplus of £31,679 was achieved which has been added to reserves.
- 1.2 This report also presents the expenditure monitoring position for the Common Good Fund as at 31 December 2023 (Q3) and the projected year end position for 2023/24.
- 1.3 The report further seeks approval for the budget for Dornoch Common Good Fund for Financial Year 2024/25.

2. Recommendations

- 2.1 Members are asked to:
 - i. Consider and agree the Dornoch Good Fund Statement of Accounts (**Appendix 1**) and Quarter 4 monitoring report for 2022/23 (**Appendix 2**), subject to the approval of the 2022/23 Highland Council accounts;
 - ii. Consider the position of the Dornoch Common Good Fund, as shown in the Q3 monitoring statement (**Appendix 3**) against budget for 2023/24.
 - iii. Agree the Dornoch Common Good Fund Annual Budget for 2024/25 (**Appendix 4**).

3. Implications

3.1 Resources

The statement of accounts and final monitoring report show Dornoch Common Good Fund returned a revenue surplus of £31,679 in 2022/23. The projected outturn for the current year 2023/24 is a deficit of £70,052 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. The proposed budget for 2024/25 presents a surplus of £32,057.

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.

The Common Good Fund figures appear in the Highland Council accounts and have been audited with no significant issues to report. However, the Highland Council accounts remain in draft until approved at Audit Committee on 24 January.

3.3 Community (Equality, Poverty and Rural)

The newly formed Dornoch Area Community Council was provided with a comprehensive briefing on the Common Good at its November 2023 meeting. It is proposed to maintain the £25,000 available for grants to support community projects in the 2024/25 budget.

3.4 Climate Change / Carbon Clever – None.

3.5 Risk

As previously agreed, the 2023/24 budget drew on reserves to support two significant community led projects (DACIC's Curlew project and Dornoch Heritage Society's Historylinks Museum extension). It is important to protect reserves to cover liabilities falling to the fund and the proposed budget for 2024/25 provides a surplus to help restore usable reserve levels.

3.6 Health and Safety (risks arising from changes to plant, equipment, process, or people) – None.

3.7 Gaelic – None.

4. **2022/23 Statement of Accounts and Final Monitoring**

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 2022/23. **Appendix 2** shows actual income and expenditure against budget for Financial Year 2022/23. Members are also referred to Dornoch Common Good Fund Annual report to Sutherland County Committee on 28 February 2022 (ref SCC/09/22) which presented the 2022/23 budget.

The statement of accounts has not been individually audited, but the total common good fund balances, comprising all of the Highland Council Common Good Funds, which appear as a note to the Highland Council accounts, have been audited as they appear in the Highland Council accounts. The auditors have found no significant issues to report. However, until signed, the Highland Council accounts remain in draft.

4.2 Expenditure

4.2.1 Grants and Contributions in 22/23 totalled £20,709 and are itemised in Appendix 2. The Grants and Contributions budget of £32,000 was underspent because:

- The fourth payment (of £7,000) to Dornoch Heritage Society was not drawn down during FY22/23
- The second payment (of £4,999) to Dornoch Area Community Interest Co. was not drawn down during FY22/23
- Both payments were carried forward to the 2023/24 budget and have now been paid.

4.2.2 Expenditure on Property Repairs and Maintenance totalled £9,612. This comprises insurance, professional and legal fees and the final costs relating to the renovation of Dornoch Public Conveniences; partly offset by reimbursed legal and professional fees.

4.3 Income

Overall, income was in excess of the budgeted amount:

- Rental income was on budget for the Financial Year.
- Miscellaneous Income delivered £13,889 income in excess of the budget. This comprises income from invitation-to-pay at Dornoch Beach car park and proceeds from the sale of garden ground at 8 Well St and 1 River St.
- Investment income, which is interest on cash balances, was higher than budgeted, reflecting the increasing levels of interest rates.

4.4 Revaluation gains/(losses)

The Income and Expenditure Account in **Appendix 1** reports revaluation gains of £478,662. This relates to investment properties and the main uplifts in the year relate to Dornoch Golf Club (£413,000) and Dornoch Caravan Park (£65,905) reflecting the increased rents on these properties – see 6.2 for more detail on the increased rent charges for Dornoch Golf Club.

These gains have been added to the Capital adjustment account, which is an unusable reserve.

4.5 Balances

Members are requested to note that the Fund shows a surplus for 2022/23 of £31,679, restoring some of the deficit of £77,071 from the previous year. On 31 March 2023 the total assets of Dornoch Common Good were £1,396,894, including Usable Reserves (Revenue Funds) of £287,086 and, following revaluation, unusable reserves of £1,109,808.

4.6 Changes to Leases in 2022/23

In August 2022, the lease to Highland Larder for a food outlet at Dornoch Beach, initially granted for one year, was extended for a further nine years, with rent increased following review.

4.7 Disposal and Acquisitions 2022/23

Small areas of garden ground at 8 Well St and 1 River St, both Littleton, Dornoch were sold, and the receipts received by the Common Good Fund.

5. **2023/24 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 (2023/24), reported against the 2023/24 budget agreed by Sutherland County Committee in January 2023

Overall, a deficit of £70,052 is forecast for Financial Year 2023/24. Members are asked to note that this is an improvement on the budgeted position.

5.2 Explanation of Variances

- Rent – this comprises additional backdated rent following rent reviews and the payment of rent by Highland Larder which, in error, had been omitted from the budgeted income figure.
- Investment income is expected to exceed budget reflecting current interest rates.

6. **Budget 2024/25**

6.1 The proposed budget for 2024/25 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,
- Highland Larder, Dornoch Beach,
- 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 from 8 Jan 2024 (the date the clubhouse project commenced), and due 31 Dec 2024. This additional rent will be linked to visitor numbers until the lease expires in 2122. This budget assumes sufficient visitors to trigger full payment of both the rent and 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. £4,800 in 2024/25, based on the anticipated interest to be paid in 2023/24 (see **Appendix 3**) and the current outlook for interest rates.

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 2024/25 based on actual and projected expenditure for 2022/23 and 2023/24.

6.6 Grants and Contributions

The £25,000 allocated for community projects will remain unchanged as in previous years.

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 professional costs when these are required, for example relating to rent reviews. Since April 2020 the Council's Estates Team has charged 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 increase miscellaneous property costs to £15,000 from £13,500 to reflect rising labour and material costs.

6.8 Dornoch Beach Car Parks

Work was carried out in 2023/24 on the two lower carparks to provide a rolled sub-base surface in areas of high use following damage to the turf, at a cost of £13,163. The surface will need to be inspected for wear in spring 2024 and further repairs may be required. Additionally, the tarred surface in the top car park is starting to deteriorate and repairs are likely to be required in 2024/25. It is proposed to include £25,000 in the budget for car park repairs.

6.9 Dornoch Burn

As outlined in Section 7.1 below, The Council is applying for funding for feasibility and design work to address issues on Dornoch Burn. If the application is successful, the Common Good Fund will be required to make a minimum contribution of 10%, estimated to be £6,000. The 2024/25 budget includes £10,000 for the Dornoch Burn project to cover this and any other costs incidental to the development of the project.

6.10 Fund Balance

Members are asked to note that the proposed amended budget will lead to a surplus of £32,057 which will increase usable reserves to £249,091 at 31 March 2025.

7 Common Good Issues

7.1 Dornoch Burn

As reported to Committee in January 2023, via the support of NatureScot, the River Restoration Centre, based at Cranfield University, completed a survey with recommendations for resolving issues with the lower part of Dornoch Burn. The resulting report and its recommendations have been discussed with Dornoch Caravan Park and the Golf Club, the Community Council and other neighbouring and affected businesses. The next phase is feasibility and detailed design work. The Council, as lead partner, has applied for a Nature Restoration Fund Development Grant. The bid has passed the Expression of Interest stage and the Council has been invited to make a full application. The bid includes the creation of a local partnership including the Council, Community Council and affected and neighbouring businesses. Members have been updated at Area Business Meetings.

The Common Good Fund will be required to make a minimum contribution of 10%, estimated to be £6,000. As outlined in 6.9 above, the 2024/25 budget makes provision for this any other costs incidental of the development of the project.

7.2 Reserves

As reported previously, 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; or reserves could be kept to a minimum, sufficient to cover any immediate liabilities, with funds otherwise being invested in community initiatives and projects. Initial discussions have taken place with Members but further work is required to establish the favoured strategy for managing the reserves. This work will include consultation with Dornoch Area Community Council.

Designation: ECO Communities and Place
Head of Corporate Finance

Date: 10 January 2024

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Background Papers:

Appendices:

1. Dornoch Common Good Fund – Statement of Account 2022/23
2. Dornoch Common Good Fund – Final Monitoring 2022/23
3. Dornoch Common Good Fund – Quarterly Monitoring Period to Dec 23 (23/24 Q3)
4. Dornoch Common Good Fund – Proposed Budget 2024/25

APPENDIX 1

Statement of Account 2022-23 Dornoch Common Good Fund

Income and Expenditure Account

	2022/23	2021/22
	£	£
<u>Expenditure</u>		
Grants and contributions	20,709	78,842
Property repairs and maintenance	9,612	43,091
Administration charges	611	102
Staff Costs	2,101	3,895
Total expenditure	<u>33,033</u>	<u>125,930</u>
<u>Income</u>		
Rents	46,023	46,180
Miscellaneous income	13,889	1,975
Interest and investment income	4,799	704
Total income	<u>64,712</u>	<u>48,859</u>
Surplus/(deficit) for the year	31,679	(77,071)
Revaluation gains/(losses)	<u>478,662</u>	<u>77,479</u>
Total comprehensive income and expenditure	<u>510,341</u>	<u>408</u>

Balance Sheet

	31/03/2023	31/03/2022
	£	£
<u>Non current assets</u>		
Investment Properties	1,087,558	608,897
Heritage assets	<u>22,250</u>	<u>22,250</u>
	<u>1,109,808</u>	<u>631,147</u>
<u>Current assets</u>		
Loans fund deposits	<u>287,086</u>	<u>280,567</u>
	<u>287,086</u>	<u>280,567</u>
<u>Current Liability</u>		
Other Creditors	<u>-</u>	<u>(25,161)</u>
Total assets	<u>1,396,894</u>	<u>886,553</u>
Usable reserves		
Revenue funds	287,086	255,406
Unusable reserves		
Revaluation reserve	22,250	22,250
Capital adjustment account	<u>1,087,558</u>	<u>608,897</u>
	<u>1,109,808</u>	<u>631,147</u>
Total reserves	<u>1,396,894</u>	<u>886,553</u>

APPENDIX 2

Dornoch Common Good Fund - Quarterly Monitoring Period to Mar 23 (22/23 Q4)

	Actual £	Budget £	Variance £
INCOME			
Rents	46,023	45,890	133
Sales-Land/Building	11,100	-	11,100
Invitation to pay income	2,789	-	2,789
Interest and investment income	4,799	2,500	2,299
TOTAL INCOME	64,712	48,390	16,322
EXPENDITURE			
Staff Costs	2,712	2,500	212
Grants & contributions	20,709	32,000	(11,291)
Miscellaneous Costs	9,612	13,500	(3,888)
TOTAL EXPENDITURE	33,033	48,000	(14,967)
Income less Expenditure	31,679	390	31,289
Usable reserves (Appendix 1)	<u>£287,086</u>		

Grants and Contributions 2022/23

Organisation	Project	Amount
Dornoch Trust	Purchase and Maintenance Earls Wood	3,632
Lodge St Gilbert No 790	Handrail Renewal for Bridge Across Burn	500
Dornoch Area Community Council	Christmas Tree Lights Refurbishment	5,790
Dornoch Area Community Council	Maintenance and Improvement Projects (5)	1,835
Dornoch Trust	Operation Dornoch Beach Toilets 2022-23	2,332
Dornoch Area Community Interest Co.	Dornoch Business Improvement District	5,000
Dornoch Beach Wheelchairs	Base for Sensory Musical Instruments	1,620
Total		20,709

APPENDIX 3

Dornoch Common Good Fund - Quarterly Monitoring Period to Dec 23 (23/24 Q3)

	Actual to date £	Revised Budget	Estimated Outturn £	Variance £
INCOME				
Rents	79,060	70,740	80,310	9,570
Invitation to pay income	2,898	4,500	4,500	-
Interest and investment income	-	2,500	4,800	2,300
TOTAL INCOME	<u>81,958</u>	<u>77,740</u>	<u>89,610</u>	<u>11,870</u>
EXPENDITURE				
Staff Costs	798	3,000	3,000	-
Grants & contributions	75,236	129,999	129,999	-
Miscellaneous Costs	20,145	26,663	26,663	-
TOTAL EXPENDITURE	<u>96,179</u>	<u>159,662</u>	<u>159,662</u>	<u>-</u>
Income less Expenditure	<u>(14,222)</u>	<u>(81,922)</u>	<u>(70,052)</u>	<u>11,870</u>

Unaudited Usable Reserves 2022/23 (Appendix 2)	£287,086
Estimated outturn for 23/24	<u>(70,052)</u>
Estimated Usable Reserves 2023/24	<u>£217,034</u>

Grants and Contributions to end Q3 2023/24

Organisation	Project	Amount
Dornoch Trust	Beach Toilets	1,995
Dornoch Bowling Club	Upgrade of Green and Erection of Wall	4,000
Dornoch Area Community Council	Asset Maintenance Projects (6)	841
East Sutherland Camera Club	Highland Challenge 2023	500
Dornoch Area Community Interest Co	Project Curlew Masterplan Phase 2	50,000
Dornoch Beach Wheelchairs	Improvement to playpark	2,472
Dornoch Area Community Council	Maintenance & Improvement Projects (7)	2,025
Dornoch Heritage (Historylinks Museum)	The Nancy Commemoration Project	483
Dornoch Heritage (Historylinks Museum)	Historylinks Museum Extension Project	7,000
Dornoch Area Community Interest Co	Dornoch BID	4,999
Creich, Croick, Kincardine Day Care Assn	Transport for Dornoch Residents	900
Total		75,236

APPENDIX 4

Dornoch Common Good Fund Budget 2024/25

	2024/25
	£
INCOME	
Rents	100,757
Invitation to pay income	4,500
Interest and investment income	<u>4,800</u>
TOTAL INCOME	110,057
EXPENDITURE	
Staff Costs	3,000
Grants & contributions	25,000
Miscellaneous Property costs	15,000
Dornoch Beach Car Parks	25,000
Contribution to works at Dornoch Burn	<u>10,000</u>
TOTAL EXPENDITURE	78,000
Income less Expenditure	<u>32,057</u>
Estimated Usable Reserves 2023/24 (Appendix 3)	217,034
Budget surplus/(deficit) for 24/25	<u>32,057</u>
Forecast year end reserves 24/25	<u>249,091</u>