

The Highland Council

Agenda Item	11b
Report No	CIA/08/24

Committee: City of Inverness Area Committee

Date: 5 February 2024

Report Title: Inverness Common Good Fund Financial Monitoring Report

Report By: Executive Chief Officer, Communities and Place

1 Purpose/Executive Summary

1.1 This report presents the expenditure monitoring position for the Inverness Common Good Fund (ICGF) as at 31 December 2023 and the projected 2023/24 year end position. The impact of reduction of income and the increase in costs in respect of Inverness Town House has been felt. The report updates any particular pressures.

1.2 Further points to note are:

- Account has been taken of the decisions taken at CIAC 20 November 2024 to approve additional expenditure of £0.228m.
- Victorian Market Maintenance has been increased by £0.068m to account for final expected costs to complete the refurbishment.
- £0.015m has set aside for additional costs for Town House Wi-Fi.

2 Recommendations

2.1 Members are asked to:

Note the financial monitoring report to 31 December 2023 and that overall expenditure is within agreed budgets excepting estimated outturns detailed in Appendices 1 and 2.

3 Implications

3.1 **Resource** - The report details the financial resource implications. There are no other resource implications. The report notes that the latest projected overspend in this year's budget is £0.457m as detailed in Para 5.4 below (core spend £0.401m; projects £0.056m). Meeting liabilities will result in a drawdown from reserves, including a

managed disinvestment through the investments held by Messrs. Adam & Co. under the guidance of the Investment Advisory Sub-Committee.

It is to be noted that a sum totaling £0.078m is included in the projected overspend identified above following the decision of the Committee agreeing to the recommendations made by the Sub-Committee held on 30 October 2023.

The projected overspend also includes £0.150m to be contributed to the Whin Park Project agreed at CIAC held on 20 November 2023.

This would result in anticipated reserves at 31 March 2024 of £4.598m (this does not take into account any potential movement in value of investments over the final quarter of the year).

- 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.
- 3.3 **Community (Equality, Poverty, Rural and Island)** - None
- 3.4 **Climate Change / Carbon Clever** - None
- 3.5 **Risk** – There is a risk to the long-term sustainability of the Fund if over reliance is placed on reserves for the financing of revenue and any capital works.
- 3.6 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – In applying the budget to address agreed expenditure due consideration is given to meeting all statutory requirements and complying with the Council's own policies, practices and procedures in this regard.
- 3.7 **Gaelic** - None

4 Introduction

- 4.1 This report is produced in support of the Council's corporate governance process. The purpose of the report is to advise Members of the anticipated financial position against the agreed budget at the end of financial year 2023/24. **Appendices 1 and 2** show core and project income and expenditure to 31 December 2023, the predicted year end outturn and the predicted variance.

5 Overview of 23/24 Budget Status

- 5.1 **Appendix 1** shows the core revenue budget expenditure for the year of £2.583m, to be met by budgeted revenue income of £2.202m (plus a transfer from Reserves of £0.381m which is wholly due to the 2022/23 unspent commitments).
- 5.2 Overall, core spend, and income received, is currently anticipated to show a £0.401m overspend.
- 5.3 Income from Industrial lets is higher than anticipated due to the receipt of lease premiums.
- 5.4 Progress on letting office accommodation within Inverness Town House is being made with anticipated income from lets to new third party tenants increasing expected income by £0.026m.
- 5.5 Principally, budget pressures have arisen due to the following:

- Victorian Market Maintenance Budget – Fit out work was delayed to allow for the lettings market to be tested to see how many food retail units would be let that required full extraction. We now know that all the units require this, noting the prospective tenants who are about to conclude leases. The primary costs relate to installation of forced ventilation. Due to the popularity of the Market, we are installing additional seating along with commencing the work to reinstate the much loved market train.
- Victorian Market Service Charge - additional time was required to finalise the Service Charge along with the need to fit out units to specifications which enabled negotiations to proceed successfully with prospective tenants, which has resulted in a £0.091m anticipated overspend. Whilst taking longer, we have made the best of possible opportunities to fully let the new Market Hall. Service Charge recovery will improve as the first tranche of new tenants become liable for full-service charge and rent payment.
- Town House Maintenance - £0.065m anticipated overspend – additional expenditure has been incurred to carry out essential improvements to the Wi-Fi network within the building, which includes £0.015m in additional costs. This is essential to support new tenants.
- In addition to the above, the following overspends to be funded from reserves, totalling £0.228m, which were agreed at CIAC held on 20 November 2023:
 - ICGF Grants - Poverty and Inequality: £0.038m
 - ICGF Grants – other: £0.013m
 - City Vibrancy: £0.027m
 - ICGF Grant - Whin Park: £0.150m

5.6 **Appendix 2** shows that the Victorian Market Refurbishment Project has progressed as planned and is now in its retention period, with the sum of £0.056m being set aside to accommodate any snagging works required. Otherwise, the project is complete.

5.7 **Appendix 3** shows the current detail of the Community Events & Festivals spend. It is anticipated that a minimal overspend will be incurred.

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

5.9 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 4.6% during the

quarter to 31 December 2023. The value of the investments at end of December 2023 was £5.119m (31 March 2023 £4.947m). We do not have updated benchmark information at this time, once available this will circulate to Members for their information.

- 5.10 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.

Designation: Executive Chief Officer Communities & Place

Date: 19 January 2024

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Lara Harrison, Accountant

Background Papers:

Appendix 1: ICGF Monitoring Statement 31 December 2023/24 – Core Spend

Appendix 2: ICGF Monitoring Statement 31 December 2023/24 – Project Spend

Appendix 3: ICGF Monitoring Statement 31 December 2023/24 – Community Events & Festivals

Appendix 4: ICGF Monitoring Statement 31 December 2023/24 – Reserves

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

		ACTUAL YEAR TO DATE	ANNUAL BUDGET	ESTIMATED OUTTURN	ESTIMATED VARIANCE
	Cost classification	£000	£000	£000	£000
EXPENDITURE					
Victorian Market Operations	Cost Recovery	235	145	180	35
Victorian Market Management	Cost Recovery	73	95	95	-
Victorian Market Maintenance	Essential	271	120	313	193
Victorian Market Service Charge	Essential	165	145	236	91
Victorian Market Marketing	Cost Recovery	43	50	50	-
Town House Maintenance	Essential	142	100	165	65
Town House Utilities and Cleaning	Cost Recovery	92	150	150	-
Town House Future Planning	Discretionary	2	30	10	(20)
Other Properties	Essential	57	109	79	(30)
Other Properties (c/f) **	Essential	-	46	46	-
Ness Islands & Bank Maintenance	Essential	-	36	36	-
River Ness Fishings	Essential	0	20	12	(8)
ICGF Bowling Clubs	Essential	21	51	51	-
City Centre - Festive Lights c/f	Discretionary	-	69	69	-
Winter Payments	Discretionary	143	217	217	-
ICGF Grants - Poverty and inequality	Discretionary	26	121	159	38
ICGF Grants - other	Discretionary	36	40	53	13
ICGF Grants - Whin Park	Discretionary	-	-	150	150
ICGF Grants (c/f) **	Discretionary	51	234	234	-
City Vibrancy	Discretionary	204	216	274	58
City Vibrancy (c/f) **	Discretionary	12	32	32	-
Community Events	Discretionary	165	177	182	5
Commemorative Bedding	Discretionary	-	7	7	-
CCTV	Discretionary	-	50	50	-
Festive Lights	Cost Recovery	16	73	73	-
Property Management Fees	Cost Recovery	-	143	143	-
Central Support Charge	Cost Recovery	12	87	87	-
Investment Advisor Fees	Cost Recovery	-	10	10	-
Press & Public Relations	Cost Recovery	10	10	10	-
TOTAL EXPENDITURE		1,776	2,583	3,173	590
FUNDED BY:					
Rents & Lettings					
Industrial Estates		1,366	1,813	1,973	(160)
Victorian Market Rents		110	150	156	(6)
Town House		5	-	5	(5)
Town House new tenants		-	-	26	(26)
Town House events		-	-	-	-
Town House car park		40	24	24	-
1-5 Church Street		86	95	95	-
River Ness Fishing Rights		6	8	8	-
Other Properties Rents		24	28	28	-
		1,638	2,118	2,315	(197)
Other Income					
Fishing Assessment Dues		-	20	12	8
Investment Income		-	-	-	-
Refund VAT Invest Mngt Fees22		2	4	4	-
Contribution from Benevolent Funds for Landward Winter Payments		-	59	59	-
Interest on Revenue Balances		-	1	1	-
TOTAL FUNDING		1,640	2,202	2,391	(189)
Surplus/(deficit) before projects		(136)	(381)	(782)	401
Unspent Commitments from prior years included in above					
Grants		51	234	234	
City Vibrancy		12	32	32	
Other Properties		-	46	46	
Lights		-	69	69	
		63	381	381	

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

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	ESTIMATED OUTTURN	ESTIMATED VARIANCE
	£000	£000	£000	£000
PROJECT SPEND				
Victorian Market	3	-	56	56
TOTAL TO BE FUNDED FROM RESERVES	3	-	56	56

APPENDIX 3
Community Events Budget Monitoring
FOR PERIOD ENDING DEC 23

ACTUAL
YEAR TO DATE
£

Income

Grants	-
Merchandise Income	-
Income	(91,144)
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	(91,144)

Expenditure

Entertainers	35,429
Equipment	138,372
Event Office	28,897
Council Staff	8,846
Marketing	11,803
Licences	-
Security and First Aid	32,477
Events Merchandise	-
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	255,823

Net Total Expense/(Income)

164,679

**APPENDIX 4
MONITORING STATEMENT 2022/23
INVERNESS COMMON GOOD FUND RESERVES
FOR PERIOD ENDING DEC 23**

£000

Value of investment portfolio at 30.09.2023	4,892
Change in value of investment portfolio over 2023/24 Q3	<u>227</u>
Value of investment portfolio at 31.12.2023	<u>5,119</u>
* Loans Fund balance (cash reserves) as at 31.03.2023	407
Net Other Debtors/Creditors at 31.03.23	(90)
Total reserves balance as at 31.12.23	<u>5,436</u>
Anticipated use of reserves during 2023/24:	
To fund core budget spend (from Appendix 1; includes £0.381m c/f)	(782)
To fund project spend (from Appendix 2)	(56)
Anticipated Reserves as at 31.03.2024**	<u>4,598</u>
ANTICIPATED RESERVES AFTER COMPLETION OF ALL PLANNED PROJECTS	<u>4,598</u>

* Unaudited

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