

The Highland Council

Agenda Item	7b
Report No	CIA/35/24

Committee: City of Inverness Area Committee

Date: 18 November 2024

Report Title: Inverness Common Good Fund Financial Monitoring Report

Report By: Assistant Chief Executive - Place

1. Purpose/Executive Summary

1.1 This report presents the expenditure monitoring position for the Inverness Common Good Fund (ICGF) as at 30 September 2024 and the projected 2024/25 year end position. The report updates any particular pressures.

1.2 Further points to note are:

- The Town House has seen a modest increase in income from third party tenancies;
- The Victorian Market is proving very successful which has resulted in additional staff resources being applied, with a consequential increase in costs, countered by recovery through the service charge.
- 1-3 Church Street is fully let, with a receipt of £0.200m confirmed from the outgoing tenant, SDS, in respect of their early termination of the lease.

2. Recommendations

2.1 Members are asked to note the financial monitoring report to 30 September 2024 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 £0.190m (core spend £2.681m; income £2.490m). 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. Projected currently in the sum of £0.190m. This would result in anticipated reserves at 31 March 2025 of £5.291m (this does not take into account any potential movement in value of investments over the 3rd & 4th quarters 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.
- 3.4 **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.
- 3.5 **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.

3.6 **Gaelic** - None

4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring/update report and therefore an impact assessment is not required.

5. Introduction

- 5.1 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 2024/25. **Appendices 1 and 2** show core and project income and expenditure to 30 September 2024, the predicted year end outturn and the predicted variance.

6. Overview of 24/25 Budget Status

- 6.1 **Appendix 1** shows the core revenue budget expenditure for the year of £2.658m, to be met by budgeted revenue income of £2.290m (plus a transfer from Reserves of £0.367m which is wholly due to the 2023/24 unspent commitments).
- 6.2 Overall, core spend, and income received, is currently anticipated to show a £0.190m overspend
- 6.3 Income from Industrial lets is higher than anticipated due to the receipt of lease premiums.
- 6.4 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 to £0.062m which exceeds the budgeted income by £0.007m.
- 6.5 Principally, budget pressures have arisen due to the following:

- Victorian Market Service Charge – With exception of the two remaining units with are pending the resolution of the electricity supply issue, all units are let. The Market is proving very successful with upwards of 65,000 visitors per week during the height of the summer, with numbers holding at around 40,000 per week.
- The success has led to additional agency and contract resources having to be applied which resulted in a significant increase in operational costs. Once final costs are established the reconciliation process, for 2023/24 the additional charges will be recovered through the service charge, with a proportion being payable by the ICGF. This will significantly increase costs to the ICGF.
- Mitigating actions have been undertaken with staff being directly employed by the Council thereby significantly reducing agency costs. Further, the cost of waste and cleaning provision has also been reduced through rationalisation and the application of the tender process which it is anticipated will help to reduce costs further from 2025/26.
- Energy supply – urgent appraisal is underway of options to increase the energy supply to the Market. This includes the potential provision of a PV/Battery storage installation on the Market roof. Consideration will also be given to increasing the power supply through SSE.
The aim will be to reduce energy costs along with being able to extend capacity through the letting of the two available units.
A report will be taken to the next meeting of the Committee on this and other options for full consideration of all the facts so that a fully informed decision can be taken.

6.6 **Appendix 3** shows the current detail of the Community Events & Festivals spend. It is anticipated that an overall underspend will be incurred. Following the decision to cancel this year's Red Hot Highland Fling, due to the additional costs associated with accommodating the works at the Northern Meeting Park, an anticipated underspend is shown at **Appendix 3** of £0.060m. Noting that the RHHF is planned to return next year and on the back of a very successful Highland Games, Members are asked to note the intention to invite the Committee to carry forward this underspend into 2025/26 in addition to any budget to be agreed for 2025/26.

6.7 **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

6.8 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 0.04% during the quarter to 30 June 2024 against a benchmark of 2.4% and by 2% during the quarter to 30 September 2024 compared to a benchmark of 2.1%. The value of the investments as at 30 September 2024 was £5.123m (30 September 2023 £4.892m).

6.9 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: Assistant Chief Executive - Place

Date: 30 October 2024

Author: David Haas, Senior Community Development Manager, Inverness & South
Jennifer Johnston, Accountant

Background Papers:

Appendix 1: ICGF Monitoring Statement 30 September 2024/25 – Core Spend

Appendix 3: ICGF Monitoring Statement 30 September 2024/25 – Community
Events & Festivals

Appendix 4: ICGF Monitoring Statement 30 September 2024/25 – Reserves

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**APPENDIX 1
MONITORING STATEMENT 2024/25
INVERNESS COMMON GOOD FUND CORE SPEND
FOR PERIOD ENDING SEPT 24**

		ACTUAL YEAR TO DA	ANNUAL BUDGET	ESTIMATED UTTURN 2425	ESTIMATED Variance
	Cost classification	£000	£000	£000	£000
EXPENDITURE					
Victorian Market Operations	Cost Recovery	204	35	35	-
Victorian Market Management	Cost Recovery	38	65	65	-
Victorian Market Service Charge	Essential	-	174	174	-
Victorian Market Maintenance	Essential	106	120	120	-
Victorian Market Marketing	Essential	21	50	50	-
Town House Maintenance	Essential	42	95	95	-
Town House Utilities and Cleaning	Essential	2	150	150	-
Town House Future Planning	Essential	-	30	30	-
Other Properties	Essential	66	75	135	60
Town Clerks office	Essential	-	45	45	-
Other Properties (c/f) **	Essential	-	67	67	-
Ness Islands & Bank Maintenance	Essential	-	36	36	-
River Ness Fishings	Essential	-	20	13	(7)
ICGF Bowling Clubs	Essential	1	51	51	-
Town House Enabling Works	Discretionary	-	-	50	50
Winter Payments	Discretionary	1	223	223	-
ICGF Grants - Poverty and inequality	Discretionary	67	121	121	-
ICGF Grants - other	Discretionary	8	40	40	-
ICGF Grant - Whin Park	Discretionary	-	150	150	-
ICGF Grants (c/f) **	Discretionary	33	209	209	-
ICG - Civic Hospitality	Discretionary	34	75	75	-
Civic Contingency Fund	Discretionary	2	20	20	-
ICG - Town Twinning	Discretionary	1	10	10	-
Conference Development and Hospitality	Discretionary	4	24	24	-
Conference Development and Hospitality	Discretionary	3	10	10	-
City Promotions	Discretionary	3	25	25	-
City Promotions(c/f)	Discretionary	-	3	3	-
Partnership Working - BID	Discretionary	78	143	143	-
Partnership Working BIDS c/f	Discretionary	-	5	5	-
Community Events	Discretionary	85	177	117	(60)
Community Events contingency	Discretionary	-	20	-	(20)
Commemorative Bedding	Discretionary	-	7	7	-
CCTV	Discretionary	-	50	50	-
Festive Lights	Cost Recovery	-	73	73	-
Property Management Fees	Cost Recovery	-	143	143	-
Central Support Charge	Cost Recovery	-	97	97	-
Investment Advisor Fees	Cost Recovery	5	10	10	-
Press & Public Relations	Cost Recovery	-	10	10	-
TOTAL EXPENDITURE		805	2,658	2,681	23
FUNDED BY:					
Rents & Lettings					
Industrial Estates		773	1,860	1,860	-
Victorian Market Rents		96	177	177	-
Town House new tenants		15	55	62	7
Town House events		7	-	-	-
ICG - 1-5 Church Street		233	95	295	200
River Ness Fishing Rights Income		4	8	8	-
Other Properties Rents		16	30	30	-
		1,145	2,226	2,433	207
Other Income					
Fishing Assessment Dues		-	20	13	(7)
Refund VAT Invest Mngt Fees		1	4	4	-
Contribution from Benevolent Funds for Landward Winte		-	40	40	-
Interest on Revenue Balances		-	1	1	-
TOTAL INCOME		1,145	2,290	2,490	200
Surplus/(deficit) before projects		341	(367)	(190)	177
Unspent Commitments from prior years included in above					
Other Properties		-	67	67	
ICGF Grants		33	209	209	
Conference Development and Hospitality		3	10	10	
City Promotions		-	3	3	
Partnership Working BIDS		-	5	5	
ICGF Grant - Whin Park		-	150	150	
		36	444	444	

APPENDIX 3

Community Events Budget Monitoring FOR PERIOD ENDING SEPT 24

	ACTUAL YEAR TO DATE £
Income	
Grants	-
Merchandise Income	-
Income	(78,197)
	<hr style="width: 100%; border: 0.5px solid black;"/> (78,197)
Expenditure	
Entertainers	-
Equipment	150
Event Office	137,814
Council Staff	-
Marketing	-
Licences	6,075
Security and First Aid	19,077
Events Merchandise	-
	<hr style="width: 100%; border: 0.5px solid black;"/> 163,116
Net Total Expense/(Income)	<hr style="width: 100%; border: 0.5px solid black;"/> 84,919 <hr style="width: 100%; border: 0.5px solid black;"/>

**APPENDIX 4
MONITORING STATEMENT 2024/25
INVERNESS COMMON GOOD FUND RESERVES
FOR PERIOD ENDING SEPT 24**

	£000
Value of investment portfolio at 31.06.2024	5,024
Change in value of investment portfolio over 2024/25 Q2	99
Value of investment portfolio at 30.09.2024	<u>5,123</u>
* Loans Fund balance (cash reserves) as at 31.03.2024	(2)
Net Other Debtors/Creditors at 31.03.24	360
Total reserves balance as at 30.09.24	<u>5,481</u>
Anticipated use of reserves during 2024/25:	
To fund core budget spend (from Appendix 1)	(190)
To fund project spend (from Appendix 2)	-
Anticipated Reserves as at 31.03.2025**	<u>5,291</u>
ANTICIPATED RESERVES AFTER COMPLETION OF ALL PLANNED PROJECTS	<u>5,291</u>

* Unaudited

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