

THE HIGHLAND COUNCIL
INVERNESS CITY COMMITTEE – 8 FEBRUARY 2010

Agenda Item	7.2
Report No	ICC 07/10

Inverness Common Good Fund Budget 2010/11

Joint Report by Director of Housing and Property and Inverness City Manager

Summary

This report invites Members to set the revenue budget for the Inverness Common Good Fund for the Financial Year 2010/11. It clarifies:

- Anticipated income (primarily from tenancy rentals);
- The consequences for putting a freeze on income from rentals through suspending rent increases; and,
- The proposed expenditure, split into essentials (for the maintenance of buildings and the provision of basic services) and a number of additional items.

1. Anticipated Revenue

- 1.1 Rental Income – the total income expected to be available in 2010/11 from rents, mostly from industrial estates, the Victorian Market and the Town House is expected to be £1,920,298 (an increase of £46,000 from 09/10).
- 1.2 Interest and Revenue Balances – assuming that the current low interest rates continue it is anticipated that interest will be approximately £5,000 (it is worth noting that in 08/09 it was £40,000).

2. Consequences of Freezing Rent Increases

- 2.1 It was agreed at the last City Committee held on 14th December 2009 that a report be brought back to Members analysing the consequences of freezing rents for the forthcoming financial year that is not implementing any rent increases. This was in recognition of the pressures on businesses in the current economic climate
- 2.2 Anticipated Increases – whilst there is always uncertainty as to exactly how negotiations on rent reviews will go, noting the number of rents currently under review, it is probable that the income from property rentals will increase by £31,000.
- 2.3 Historic Level of Increases and Contractual Arrangements - the majority of Common Good Fund property is held on the Longman Industrial Estate and within the Market Hall (Victorian Market). The level of percentage increase has been agreed in accordance with the contractual arrangements within individual

leases. These normally allow for rent reviews every five years. During negotiation, rent is generally agreed at the market level, relevant to the economic climate and the particular terms and conditions of that lease, for example due to the current recession the rent increases for the Victorian market shops are currently nominal. There is circulated (to Members only) information detailing levels of rent and percentage increases, within Appendix A.

2.4 Rent Freeze Analysis

2.4.1 There is understandable concern of the impact of the recession across Inverness and indeed the Highlands. The economic activity within the City is critical, not only to the Community in Inverness but also the wider Highlands, since the two are interlinked. On initial investigation it may seem that freezing rent levels through not proceeding with rent reviews for the forthcoming financial year would seem an attractive proposition.

2.4.2 However, in considering whether or not to proceed with such an option, care must be taken to note:

- that the level of rent increase applied has always been, and will continue to be, subject to market influence. This means that account is already taken of the pressures on businesses when establishing a proper rent level.
- of the approximately 140 leased properties only 37 are due for rent reviews in 2010/11 - of these, 14 have already been agreed, 15 are currently being negotiated and only 8 notices are still to be served. The number of businesses affected by any rent freeze would therefore be minimum.
- that the future prosperity of the Common Good Fund, and therefore its ability to benefit the broadest cross section of the community, is dependant largely on the strength of its property portfolio. Without consistent income, the need to maintain growth in reserves would be materially prejudiced. Indeed should Members support a freeze, not only would this need to be agreed to by the Council but also Scottish Ministers, as in effect Members would be agreeing to let property at an under value.
- the principle of the Common Good Fund is to benefit the broadest cross section of the Community. The number of properties held by the Common Good Fund, although significant to the Fund, does not represent a major proportion of the property holdings within the City. This means that, if agreed to, a large number of tenants who have lets with third party landlords would not benefit.
- the Common Good Fund has been used to provide benefit in other ways. Significant contributions were made to the recent Streetscape programme which made the City Centre a much more attractive place and thereby improved the prospects for economic activity within the City Centre. Grants to the redevelopment of facilities such as Eden Court have also increased the number of visitors to the City and it is suggested that this may be a much more appropriate way of providing

benefit, whilst at the same time maintaining the income potential of the Fund.

- there are other schemes available to businesses such as the Scottish Government's Small Business Rates Relief Scheme which allows a broad cross-section of the community to benefit and encourage start up businesses.
- the Highland Business Gateway Service, operated by the Council, also provides broad support to the Business Community.
- Appendix B (to Members only) contains information relating to the impact of relief given on non domestic rates.

2.4.3 Noting the above, Members are recommended to refrain from supporting a request to the Council's Resources Committee to freeze rent levels for the current year. This is because:

- the impact would be limited and restricted;
- the Common Good Fund has been used, and Members will continue to be given the opportunity to use it for, benefits which are broader in effect and give more long-term sustainable impact; and
- there is not enough justification to act to restrict the potential income to the Common Good Fund, noting that Members are under a duty to give prime consideration to achieve best value for the investments.

3. Proposed Expenditure

3.1 Meeting Support – all costs associated with the provision of meetings have been reviewed. Wherever practical full cost recovery is achieved, through charging for hall and meeting room lets, further, again where it practical, additional staff time is kept to a minimum.

3.2 Competency

3.2.1 The object of the Common Good Fund requires Members to have the principle regard for the interests of the residents of the City who reside or have businesses within the boundaries of the former burgh. Expenditure has been broken down into:

- Essential; and
- Discretionary

The former falls within competency as it is for the upkeep of Common Good Fund's owned/managed properties. Discretionary expenditure falls into two classes: that which is planned but not absolutely essential for the upkeep of Common Good Fund owned/managed properties and that which is not being applied for the benefit of Common Good Fund properties. However, Members are able to accept all proposed budgetary expenditure as competent on the basis that it will be analysed to ensure it is spent efficiently and effectively and will benefit a broad cross-section of the residents of the city, including residents of the former Burgh.

3.2.2 Particular attention is given to dispersement under the grants and donations budget. All dispersals from the Common Good Fund are governed by procedures which are designed to ensure best value. These have recently been subject to review corporately and improvements have been made, although it is fair to say much of the procedure applied Highland-wide is that which was used by the Common Good Fund within the City previously. Conditions have however been strengthened to ensure that there is an obligation that the sums awarded are expended on the relevant project with monitoring and evaluation of progress being a key feature.

4. Proposed Budget – Application of Inflationary Increase

4.1 The draft budget for 2010/11 is set out in Appendix C. This shows the budgeted expenditure from 2009/10, with a roll forward budget being shown. Care has been taken to apply the decision taken by the Council not to allow an inflationary increase on budget heads, wherever possible. However, there are a number of expenditure heads which it would be prudent to allow to increase. Where the revision has been applied, this has been limited to 1.5%.

5. Third Party Applications

5.1 The Third Party Applications for funding have not been included within the terms of this report. These applications are dealt with under the cover of a separate report to the Committee.

6. Expenditure

6.1 Industrial Estate - Maintenance – this budget has been frozen at 2009/10 levels. If there are additional costs they should be met out of any additional income from rent reviews. The budget is there for expenditure on advertising, legal costs and repairs

The Committee is invited to agree a budget of £2,101 for Industrial Estates - Maintenance

6.2 Town House – The work undertaken to upgrade the ground floor toilets for full disability access has been completed. In consequence, the budget has seen an overall reduction of £60,000. The Council is taking forward a full survey of the exterior of the Town House in order to establish refurbishment costs. Further, Health and Safety inspections take place twice a year in order to address any essential maintenance.

The Committee is invited to agree a budget of £172,571 for Town House Maintenance

6.3 Victorian Market and Other Properties – In order to provide flexibility, a relief Council Officer has been employed who has the flexibility of covering for the extra shifts required within the Market to allow full time staff appropriate breaks. This has allowed the Council to make efficiency in reducing the amount of agency staff required. This is in line with the decision taken by Members on the

2009/10 budget.

The Committee is invited to agree a budget of £417,794

- 6.4 Other Charges – These charges are for the central establishment costs along with the Provost’s administrative support provided for Civic matters.

The Committee is invited to agree a budget of £166,129

- 6.5 Ness Islands – The Festival’s Working Group has successfully overseen the increased use of Ness Islands for events therefore there is additional justification for supporting the islands and the significant improvement works (largely in respect of infrastructure) that have been undertaken to the islands.

The Committee is invited to agree a budget of £26,660 for the continuing maintenance of the Ness Islands.

7. Discretionary Expenditures

- 7.1 Civic and Conference Hospitality – procedures were adjusted this year to specifically take account of the growing conference market. The Civic Hospitality Group continues to address all applications for support utilising the agreed procedures, with a wide range of bodies and conferences being given support.

The Committee is invited to agree a budget of £89,391 in support of Civic Hospitality and Conferences

- 7.2 Grants and Voluntary Donations – Donations Working Group – A wide range of applicants continue to be supported by this budget.

The Committee is invited to agree a total budget in the sum of £99,366 for grants and donations (Donations Working Group)

- 7.3 Winter Payments – There has been a notable upturn in the number of winter payments claimed and further detail will be provided when the outturn figures are available for financial year 2009/10. A report will be placed before Members proposing a scheme for Winter 2010 at the City Committee set for 4th October 2010.

The Committee is invited to agree a budget of £39,280 in anticipation of a Winter Payment scheme being approved for the financial year 2010/11

- 7.4 Donations Over £5,000 – The Common Good Fund has given assistance to a number of projects in the current financial year of a larger scale. Noting that the funds set aside for the Streetscape Project have all been paid, it is appropriate to set a budget for the financial year 2010/11.

The Committee is invited to agree a budget of £300,000 for grants and donations in excess of £5,000

- 7.5 City Events and Promotions – This is a budget head that has proved very useful in allowing flexibility in support of events and festivals that have a clear benefit to the City. This now includes an element 9up to £20k) in support of conferences, as agreed by the City Committee on 2 November 2009. Some aspects of marketing are also supported by this budget. £15,000 continues to be deducted as an independent marketing budget for the Victorian Market.

The Committee is invited to agree a budget of £58,047 for City Events and Promotions

- 7.6 Christmas Lights – Enhancements were made during the financial year which has been well received by the public. The City Manager is meeting with the Council's Street Lighting Manager to take forward plans for further investment and Members will be updated on progress.

The Committee is invited to agree a budget of £63,382 for Christmas Lights installation and electricity charges

- 7.7 Bonfire Night – This event continues to be well supported and therefore it is proposed to roll the budget forward for Bonfire Night in the Bught Park in November.

The Committee is invited to agree a budget of £11,773 for Bonfire Night.

- 7.8 Inverness Winter Festival – Following on from the overall success of this year's festival, it is proposed that a budget is established that will allow a festival to be arranged for the coming year.

The Committee is invited to agree a budget of £250,000 for Inverness Winter Festival

- 7.9 CCTV – Inverness City – Further to the agreement of the Committee on 3 August 2009 to additional Capital Investment in the system, progress on installation is underway. The Maintenance Budget is being rolled forward whilst the long term future of CCTV funding and management is being considered by the Council. The City Manager will continue to review the efficiency and effectiveness of the current system and make recommendations for adjustments where appropriate, all in consultation with local Ward Members. A budget increase of 1.5% has been included to cover inflation in servicing costs. Further, the additional cameras will add £3,000 to the maintenance charge. Finally, an additional £20,000 has been added to cover the costs of the Young Street installation which will take place during financial year 2010/11.

The Committee is invited to agree a budget of £94,337 in respect of Closed Circuit Television.

- 7.10 3 Statues – Progress in finalising the installation plan is in hand. Expenditure has been drawn down for the ongoing restoration work. At the meeting held on 3 August 2009 the Committee also agreed to the installation at Ness Bank

Church at a cost of £30,000

The Committee is invited to agree a budget of £55,000 for the installation costs of the three statues

- 7.11 Inverness Old Town Arts Group – a number of successful projects have been delivered in the current financial year. Work is underway to ascertain the future of this project group and a report is planned to be taken to the next City Committee on 19th April 2010. With this in mind it is proposed that no budget be set at this stage noting that it may be appropriate to allocate funds, subsequent to Members considering the terms of the future report.

The Committee is invited to agree to defer setting a budget for the Inverness Old Town Arts Project Group pending consideration of the report referred to above

- 7.12 Town Twinning – It is proposed to roll forward the allocation of Town Twinning, including the annual grant of the Town Twinning Committee.

The Committee is invited to agree a budget of £14,258 for Town Twinning including the grant to the Inverness Town Twinning Committee

8. Conclusion

- 8.1 If the expenditure outlined above and set out in the proposed budget is spent, it would total £1,862,224. This leaves a balance of £363,074 in the year for other potential commitments to be funded from Revenue Income.

Recommendation

The Committee is invited to agree:

- i. not to recommended to the Council that a freeze on rent increases be implemented for the financial year 2010/11 because:
 - the impact would be limited and restricted;
 - the Common Good Fund has been used, and Members will continue to be given the opportunity to use it for, benefits which are broader in effect and give more long term sustainable impact; and
 - there is not enough justification to act to restrict the potential income to the Common Good Fund, noting that Members are under a duty to give prime consideration to achieve best value for the investments.
- ii. to approve the Common Good Fund Budget for 2010/11 detailed within paragraphs 7 and 8 of the report be approved.

Signature:

Designation: Inverness City Manager

Author: David Haas

Date: 27 January 2009

Signature:

Designation: Head of Housing Development and Estates

Author: Allan Maguire

Date: 27 January 2009

Background Papers:

Inverness Common Good Fund

Appendix C

Budget 2010-2011

INCOME	2010/2011	2009/2010	Changes
Rents			
Industrial Estates	1,283,298	1,237,051	46,247
Victorian Market	275,100	275,100	0
Town House	237,500	237,500	0
Other Properties	124,400	124,400	0
	<u>1,920,298</u>	<u>1,874,051</u>	<u>46,247</u>
Gains on Disposal			
Other Income *			
Interest on Revenue Balances	5,000	25,000.00	-20,000
**09/10 anticipated underspend carried forward	300,000	333,455.00	-33,455
	<u>2,225,298</u>	<u>2,232,506</u>	<u>-7,208</u>
EXPENDITURE			
Industrial Estates			
Maintenance	2,101	2,101	0
Town House			
Maintenance	111,493	111,493	0
Disabled Toilets	0	60,000	-60,000
Exterior Refurbishment Works	50,000	50,000	0
Other Costs	11,078	11,078	0
Victorian Market			
Staff Costs	88,293	72,442	15,851
Property Costs	59,477	58,812	665
Roof Repairs	250,000	250,000	0
Other Costs	5,024	5,037	-13
Marketing	15,000	15,000	0
Other Properties			
Maintenance and other costs	17,086	17,086	0
Civic and Conference Hospitality			
Hospitality	89,391	89,088	303
Donations			
Donations Working Group (Grants under £5,000)	99,366	99,366	0
Winter Payments	39,280	37,280	2,000
Donations re Rentals	300,000	250,000	50,000
Ness Islands	26,660	26,266	394
Contribution To Civic Events			
Civic Events and Promotion	58,047	42,998	15,049
Christmas Lights Installation and Electricity	63,382	60,475	2,907
Inverness Brand Campaign	15,049	15,049	0

Cultural and Leisure Events

Bonfire Night	11,773	11,599	174
Winter Festival	250,000	250,000	0

City Centre

Streetscape project	0	350,000	-350,000
CCTV	94,337	70,283	24,054
3 Virtues Statues	55,000	25,000	30,000
Old Town Art Project	0	45,007	-45,007

Town Twinning

Town Twinning committee grant and other costs	14,258	14,258	0
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Other Charges

Central establishment charges	36,246	35,710	536
Property Management Fee	115,218	112,443	2,775
Miscellaneous	2,023	2,023	0
Provost's Office Admin Support	12,642	10,413	2,229

TOTAL EXPENDITURE

<u>1,892,224</u>	<u>2,200,307</u>	<u>-308,083</u>
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INCOME LESS EXPENDITURE

<u>333,074</u>	<u>32,199</u>	<u>300,875</u>
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* Stock Market Income is all reinvested

** Unlikely to be spent by 31.03.09 so underspend carried forward