

The Highland Council

Nairnshire Committee
20 February 2017

Agenda Item	7
Report No	N/3/17

**Nairn Common Good Fund
Budget Setting for 2017/18 and Quarter 3 Monitoring Report**

Joint Report by the Director of Finance and the Inverness City Area Manager

Summary

This report invites Members to set the revenue budget for the Nairn Common Good Fund (NCGF) for the financial year 2017/18. It also asks Members to note the position of the NCGF as shown in the Quarter 3 Monitoring Statement.

1. Governance Arrangements

- 1.1 The total value of the NCGF (£7.364m) is under the governance of the Highland Council. This is not controlled by a Trust Deed but by the principles laid down in legislation and case law and covers investments, grants and general expenditure. This results in:
- (i) The principles of Best Value being applied
 - (ii) Funds being allocated against essential expenditure first and
 - (iii) The principle benefit of resources going to the residents of Nairn.

2. 2017/18 Budget

- 2.1 2017/18 Budget – The draft budget for 2017/18 is set out in **Appendix 1**. In accordance with Council policy, wherever practicable, no inflationary increase has been applied to budget heads.
- 2.2 Impact on Available Funds – This budget plans for the expenditure of revenue which will be received in 2017/18. If income and expenditure are set at levels proposed in Appendix 1, the NCGF should generate a revenue surplus of £32,100 in 17/18 which will build on existing revenue funds.
- 2.3 Capital projects for development or protection of assets would require separate consideration and an appropriate funding package which would be brought to Committee for consideration.

3. Anticipated Revenue

- 3.1 Rental Income – The total income expected to be available in 2017/18 from rents is projected to be £85,000.
- 3.2 Lettings Income – Income from lettings and from the Nairn Games of £15,000 is projected for 2017/18.
- 3.3 Interest and Revenue Balances – It is anticipated that interest receivable on projected surplus balances will be approximately £500 in 2017/18

4. Expenditure Budget

The main revenue budget can be summarised as follows:

- 4.1 Property Maintenance – A budget of £50,000 is proposed for 17/18. This comprises an annual charge from the Council of £38,500 for grounds maintenance, a management fee of £5,500 from Highlife Highland for the Paddling Pool and Leisure Park and makes provision for any necessary remedial work to Common Good assets, particularly at the Links area.
- 4.2 Electricity – a budget of £1,000 is proposed in line with current charges on NCGF properties.
- 4.3 Water Charges – a budget of £1,000 is proposed in line with current charges on NCGF properties.
- 4.4 Rent, Rates and Insurance – a budget of £10,000 is proposed for the River Fishing Licence Fee and for necessary insurance cover. All of the investment properties are expected to be tenanted in 17/18 which means that the NCGF will not be liable for Non Domestic Rates.
- 4.5 Central Support Charge – a budget of £2,000 is proposed in line with the charges incurred in the current and prior years for Finance and Administration support. However the actual charge for 2017/18 will reflect the level of Highland Council officer support provided to the fund in the year ahead.
- 4.6 Advertising – a budget of £500 is proposed for expenditure for the Nairn Games and for other required advertising costs associated with the NCGF.
- 4.7 Legal Expenses – A budget of £1,000 is proposed. This cost is associated with work ongoing on NCGF assets.
- 4.8 Contribution to Nairn Games – a budget of £3,000 is proposed. However the actual level will reflect income generated from the annual Games event.

5. Quarter 3 Revenue Monitoring Report

- 5.1 A monitoring statement showing transactions against budget to the end of December 2016 is attached as **Appendix 2**.
- 5.2 Expenditure – Expenditure to date relates to Property Maintenance, Electricity and Water Charges and under Rent, Rates and Insurance, the Nairn River Fishing fees. Also shown is the annual contribution to the Nairn Games.

Property maintenance is showing a projected overspend due to the accounting adjustment required as reported to the December committee.
- 5.3 Income – Income received to date relates principally to property rentals and lettings and is on target.
- 5.4 The £5,894 deficit forecast for 2016/17 will be funded from cash balances. After the investment referred to at 6.1 those balances will stand at £13,206.

6. Investment

- 6.1 As agreed at December's Nairnshire committee, £0.4m of the revenue funds reserve is being invested with Adam and Co. This investment allow a small sum to be retained for any works required on the Fund's property assets as advised at 2.3. Income generated by the fund will be reinvested to increase the value of the investment made.
- 6.2 Any funds allocated by the Committee for investment by the designated Fund Managers (Adam & Co) are administered and scrutinised by the Councils' Investment Sub Committee which also undertakes this work for the Inverness Common Good Fund and the Pension Funds administered by the Council. The Annual report to the Area Committee on the Outturn of the Common Good Fund will report on the performance of the investments.

7. Asset Register

- 7.1 Work continues on the standardisation of Common Good Asset Registers for Common Good Funds. A Common Good Officer has been now been appointed for the Highland Council and will commence in post in March 2017.

It is anticipated that the officer will be involved in the work that is ongoing to ensure consistency of approach for the management of Common Good Funds across Highland, and that reports reflecting the standardised approach to provision of Asset Registers for Common Good Funds will be brought before committee in due course.

8. Implications

- 8.1 The expenditure to date is within budget and there are no Resource or Financial Implications. There are no known Equalities, Climate Change/Carbon Clever, Legal, Risk, Gaelic or Rural Implications.
- 8.2 There are no other implications to be highlighted in the report.

Recommendation

The Committee is invited to:

- i. Agree the Nairn Common Good Fund budget for 2017/18 detailed within the report;
- ii. Note the position of the Nairn Common Good Fund as shown in the Quarter 3 Revenue Monitoring Statement against Budget; and
- iii. Agree that update reports continue to be brought before Area Committee.

Designation: Director of Finance and Inverness City Area Manager

Date: 10 February 2017

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Appendix 1 Draft budget for 2017/18
Appendix 2 Quarter 3 monitoring statement

Appendix 1

Nairn Common Good Fund Budget 2017/18	2017/18	2016/17
	Budget	Budget
INCOME		
	£	£
Rents	85,000	85,000
Lettings	15,000	15,000
Interest and investment income	500	500
Miscellaneous Income	100	0
TOTAL INCOME	<u>100,600</u>	<u>100,500</u>
EXPENDITURE		
Property maintenance	50,000	50,000
Electricity	1,000	1,000
Water charges	1,000	1,000
Rents, Rates and Insurance	10,000	10,000
Central support	2,000	2,000
Advertising	500	1,000
Legal Expenses	1,000	1,000
Contribution to Nairn Games	3,000	3,000
TOTAL EXPENDITURE	<u>68,500</u>	<u>69,000</u>
Income less Expenditure	<u><u>32,100</u></u>	<u><u>31,500</u></u>

**Nairn Common Good - Quarterly Monitoring
Period to 31 December 2016**

APPENDIX 2

	Actual to date £	Annual Budget £	Expected Outturn £	Variance £
INCOME				
Rents	77,575	85,000	85,000	0
Lettings	15,488	15,000	15,488	488
Interest and investment income	0	500	500	0
Miscellaneous Income	118	0	118	118
	<u>93,181</u>	<u>100,500</u>	<u>101,106</u>	<u>606</u>
TOTAL INCOME	<u><u>93,181</u></u>	<u><u>100,500</u></u>	<u><u>101,106</u></u>	<u><u>606</u></u>
EXPENDITURE				
Property maintenance	3,751	50,000	88,000	38,000
Electricity	612	1,000	1,000	0
Water charges	136	1,000	1,000	0
Rents, Rates and Insurance	9,305	10,000	10,000	0
Central support	0	2,000	2,000	0
Advertising	290	1,000	1,000	0
Contribution to Nairn Games	2,835	3,000	3,000	0
Legal Expenses	81	1,000	1,000	0
TOTAL EXPENDITURE	<u>17,010</u>	<u>69,000</u>	<u>107,000</u>	<u>38,000</u>
Income less Expenditure	<u><u>76,171</u></u>	<u><u>31,500</u></u>	<u><u>(5,894)</u></u>	<u><u>(37,394)</u></u>