

<b>Agenda Item</b>	<b>13 (a)</b>
<b>Report No</b>	<b>CIA 47/17</b>

## **HIGHLAND COUNCIL**

**Committee:** **City of Inverness Area Committee**

**Date:** **30 November 2017**

**Report Title:** **Inverness Common Good Fund Annual Report 2016/17**

**Report By:** Director of Corporate Resources and Deputy Chief Executive and the Inverness City Area Manager

### **1. Purpose/Executive Summary**

- 1.1 This report presents the final outturn and audited balance sheet for 2016/17 for Inverness Common Good Fund (ICGF). Expenditure is less than budgeted, due to delayed expenditure on grants and capital projects, and income was higher than budget due to investment income and commercial rental income exceeding expectations. An overall revenue surplus of £0.603m was achieved which was £0.431m higher than budgeted. This was used to fund expenditure on projects of £0.866m (mainly the Town House refurbishment) with fewer reserves than anticipated having to be realised to fund this expenditure.

### **2. Recommendations**

- 2.1 Members are asked to:
- i. Consider the final monitoring report and balance sheet for the Inverness Common Good Fund as at 31<sup>st</sup> March 2017.

### **3. Annual Report – Income, Expenditure & Projects**

- 3.1 Appendix 1 of this report shows the Financial Monitoring Statement and Appendix 2 shows the final Audited Balance Sheet position in respect of Inverness Common Good Fund for Financial Year 2016/17.
- 3.2 Income from rents amounted to £2.193m and exceeded budget by £0.114m. The outturn before capital projects shows a surplus of income over expenditure of £0.603m. This is largely due to income received on investments of £0.189m which is re-invested with our fund managers and as such is unbudgeted for revenue account purposes. An underspend on Grants of £0.187m as well as income in excess of budget from Industrial estates rents of £0.129m also contributed to this surplus. The revenue surplus of £0.603m helped fund the cost of Projects of £0.866m. The balance of capital expenditure was met from Fund reserves.
- 3.3 Commentary on significant variances (greater than £0.005m) is set out below per cost centre.

### **4. Variances - Income**

#### **4.1 Rents – Industrial Estates**

The income of £1.600m is £0.129m more than budgeted. The greater level of income is due to the commercial portfolio performance exceeding expectations.

#### **4.2 Rents – Victorian Market**

Income received during the year of £0.246m was £0.018m less than budgeted. This reflects gaps in tenancy during a period of change for the market.

#### **4.3 Other Income – Contribution to Grants from Reserves**

The anticipated contribution to the grant budget from reserves was not required as the revenue account returned a surplus without the need for a transfer.

#### **4.4 Other Income – Contribution to Conference Support from Reserves**

The anticipated contribution to the conference support budget from reserves was not required as the revenue account returned a surplus without the need for a transfer.

#### **4.5 Other Income – Income from Investments**

As in previous years, Investment income from the ICGF Property and Share Portfolio amounting to £0.189m has been received and re-invested.

### **5. Variances - Expenditure**

#### **5.1 Victorian Market**

The underspend of £0.014m was a result of standby payments for out of hours call-outs.

#### **5.2 Town House Maintenance**

The overspend of £0.021m is predominantly due to unbudgeted painting and decorating works being carried out during 2016/17.

#### **5.3 1-5 Church Street Maintenance**

There is a remaining vacant floor within the property which has resulted in maintenance costs of £0.009m less than budgeted.

#### **5.4 Other Properties**

The underspend of £0.027m is due to planned maintenance work being carried forward to 2017/18.

- 5.5 Civic and Conference Hospitality  
The underspend of £0.039m arose because of some events which were committed from the 2016/17 budget but where expenditure was not incurred until 2017/18.
- 5.6 Winter Payments  
The underspend of £0.010m is due to the second payment in respect of the Winter Payment Scheme for 2016/17 being made slightly later and some of this fell into 17/18.
- 5.7 Inverness Common Good Fund Grants  
The original budget of £0.472m comprised £0.157m for grants committed prior to 2016/17, and £0.315m for 2016/17 grant approvals. The underspend of £0.187m relates largely to projects where funding has been agreed before or during 2016/17, but where the delivery of the project and all or part of the actual expenditure did not take place before the end of the year. The sum of £0.254m for grants committed during or prior to 2016/17 was rolled forward into the 2017/18 budget.
- 5.8 Conference Support  
The underspend of £0.035m relates to conferences where funding has been agreed before or during 2016/17 but where the event and all or part of the actual expenditure did not take place before the end of the current financial year. The sum of £0.019m for grants committed during or prior to 2016/17 was rolled forward into the 2017/18 budget.
- 5.9 City Promotions  
The underspend £0.008m is a result of additional grants and contributions.
- 5.10 Central Support Charge  
The overspend £0.020m is due to additional work carried out by Internal Audit during 2016/17 on rental income and the governance of IOTA and ICArts.
- 5.11 Other Charges and Town House – Other Costs  
The underspends of £0.011m and £0.009m are both due to expenditure being met from other budget heads.
- 5.12 Inverness Steeple  
There has been no expenditure incurred in relation to the maintenance of Inverness town clock and steeple in 2016/17 so this budget of £0.010m was not required.
- 6. Projects**
- 6.1 Expenditure totalled £0.866m, which was £1.369m less than budget.
- 6.2 Town House Refurbishment  
The underspend of £1.054m is due to the project slowing down as a result of additional works being instructed.
- 6.3 Refurbishment 1-5 Church Street  
The underspend of £0.062m is due to contract retention payments. The final retention payment of £0.030m was made in June 2017.
- 6.4 Ness Islands - Structural Maintenance Programme  
The underspend of £0.225m is a result of no expenditure being incurred against this project in 2016/17. The budget has been rolled forward to 2017/18.
- 6.5 Inverness City Arts Project  
The underspend of £0.028m relates to the balance of the Common Good Funds planned contribution of £0.175m to the wider Inverness City Arts Project. It is expected that this remaining contribution will be made in 2017/18 subject to the completion of the planned project activities.

## **7. Balance Sheet**

- 7.1 The underlying concept of the Balance Sheet is that each category of asset in the top half of the balance sheet has an equivalent reserve in the bottom half of the balance sheet.
- 7.2 Unusable Reserves comprise the Revaluation Reserve, Capital Adjustment Account, and Assets Held for Sale Reserve. These are matched with the non-current assets.
- 7.3 Heritage assets are represented by the Revaluation Reserve (£2.063m) and the investment properties held by the Common Good are represented by the Capital Adjustment Account (£22.097m).
- 7.4 The value of the investment portfolio is split over the Assets Held for Sale Reserve and Revenue Funds. The Assets Held for Sale Reserve represents the unrealised gain on the market value of the investment portfolio (£2.779m) and when added to the book value of the investments (£4.913m) gives the total market value of investments at 31 March 2017 (£7.702m)
- 7.5 Usable reserves comprise Revenue Funds and represent the actual funds available (£5.494m). They are represented by the book value of the investment portfolio (£4.913m) and short term deposits, sundry debtors and sundry creditors at the year-end (£0.581m).

## **8. Implications**

- 8.1 Resource: As detailed within report
- 8.2 Legal: None
- 8.3 Community (Equality, Poverty and Rural): None
- 8.4 Climate Change / Carbon Clever: None
- 8.5 Risk: None
- 8.6 Gaelic: None

Designation: Director of Corporate Resources and Deputy Chief Executive and Inverness City Area Manager.

Date: 23 November 2017

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Background Papers: N/A

**FINAL OUTTURN REPORT  
INVERNESS COMMON GOOD FUND  
FOR YEAR ENDING 31 MARCH 2017**

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	VARIANCE
	£000	£000	£000
<b>INCOME</b>			
<b>Rents</b>			
Industrial Estates	1,600	1,471	(129)
Victorian Market	246	264	18
Town House	258	258	0
Other Properties	88	85	(3)
	<u>2,192</u>	<u>2,078</u>	<u>(114)</u>
<b>Other Income</b>			
Contribution to Grants from Reserves	0	157	157
Contribution to Conference Support from Reserves	0	24	24
Interest on Revenue Balances	0	5	5
Income on Investments	189	0	(189)
<b>TOTAL INCOME</b>	<u><u>2,382</u></u>	<u><u>2,264</u></u>	<u><u>(118)</u></u>
<b>EXPENDITURE</b>			
Victorian Market	171	185	(14)
Town House Maintenance	121	100	21
1-5 Church Street Maintenance	11	20	(9)
Other Properties	83	110	(27)
Civic and Conference Hospitality	89	128	(39)
Ness Islands & Bank Maintenance	35	35	(0)
Festive Lights	65	65	(0)
Town Twinning	7	9	(2)
Winter Payments	75	85	(10)
Inverness Common Good Fund Grants	285	472	(187)
Conference Support	23	58	(35)
City Promotions	50	58	(8)
Disabled Go Project (2013-18)	8	8	0
Castle Wynd Conveniences	23	23	0
Partnership Working	109	106	3
Events & Festivals	320	320	(0)
CCTV	90	90	0
Property Management Fees	128	124	4
Central Support Charge	80	60	20
Other Charges	3	14	(11)
Town House Other Costs	2	11	(9)
Inverness Steeple	0	10	(10)
<b>TOTAL EXPENDITURE</b>	<u>1,779</u>	<u>2,092</u>	<u>(313)</u>
<b>Income Less Expenditure</b>	<u><u>603</u></u>	<u><u>172</u></u>	<u><u>(431)</u></u>
<b>PROJECTS</b>			
Town House Refurbishment	751	1,805	(1,054)
Refurbishment 1-5 Church Street	18	80	(62)
Ness Islands - Structural Maintenance Programme	0	225	(225)
Inverness City Arts Project	87	114	(28)
Victorian Market - Opportunities for Improvement	9	10	(1)
<b>TOTAL PROJECTS</b>	<u><u>866</u></u>	<u><u>2,234</u></u>	<u><u>(1,369)</u></u>

**APPENDIX 2**

**INVERNESS COMMON GOOD FUND**

2015/16 £	<b>Balance Sheet As at 31/03/2017</b>	2016/17 £
	<u>Non current assets</u>	
21,669,000	Investment properties	22,097,000
7,207,886	Investments at valuation	7,702,224
<u>2,063,374</u>	Heritage Assets	<u>2,063,374</u>
30,940,260		31,862,598
	<u>Current assets</u>	
270,732	Sundry debtors	248,959
99,293	Loans fund deposits	623,108
<u>370,025</u>		<u>872,067</u>
	<u>Current liabilities</u>	
<u>(175,185)</u>	Sundry creditors	<u>(291,200)</u>
(175,185)		(291,200)
<u><b>31,135,100</b></u>	<b>Total assets</b>	<u><b>32,443,465</b></u>
	<b>Usable reserves</b>	
5,496,791	Revenue funds	5,494,351
	<b>Unusable reserves</b>	
2,063,374	Revaluation reserve	2,063,374
21,669,000	Capital adjustment account	22,097,000
<u>1,905,935</u>	Available for Sale Reserve	<u>2,788,740</u>
25,638,309		26,949,114
<u><b>31,135,100</b></u>	<b>Total reserves</b>	<u><b>32,443,465</b></u>