

Agenda item	6.
Report no	SCC/03/18

THE HIGHLAND COUNCIL

Committee: Sutherland County Committee

Date: 27 February 2018

Report Title: Dornoch Common Good Fund
Annual Report 2016/17
Monitoring Report Third Quarter 2017/18
Budget Report 2018/19

Report By: Derek Yule, Depute Chief Executive & Director of
Corporate Resources
Carron McDiarmid, Head of Policy & Reform

1. Purpose/Executive Summary

- 1.1 This report invites Members to scrutinise and note the:
Dornoch Common Good Fund- Annual Report and Accounts for 2016/17
Dornoch Common Good Fund Q3 monitoring statement to 31st December 2017.

Members are also asked to approve the Dornoch Common Good Fund Annual Budget for 2018/19 along with a five year strategy.

2. Recommendation

2.1 Members are asked to:

- 2.2
- Note the Dornoch Common Good Fund - Annual Report and Accounts for 2016/17
 - Note the Dornoch Common Good Fund- Third Quarter, 2017/18 Monitoring Report
 - Approve the Dornoch Common Good Fund- Annual Budget for 2018/19
 - Consider the financial strategy outlined.

3. Annual Accounts 2016/17

- 3.1 **Appendix 1** of this report presents the audited Income and Expenditure Account and Balance Sheet in respect of the Dornoch Common Good Fund (DCGF) for financial year 2016/17.
- 3.2 | Income received for the year was in line with that forecast.
- 3.3 In relation to expenditure Members will note that spend on property repairs and maintenance of £255 was significantly below budget. This is due to provision allowed for repairs and maintenance of footpaths, beaches and Dornoch Burn area which was not required. Other costs covered by the Common Good Fund tend to be minimal.
- 3.4 Revaluation gains of £15,000 represent a change in the underlying value of the land at Dornoch Caravan Park at the year-end valuation date.
- 3.5 Overall, DCGF returned a surplus of £10,306 for the year which increased revenue funds to £233,899.

4. Quarter 3 Monitoring Statement

- 4.1 **Appendix 2** of this report shows the position of the DCGF at the end of December 17 against budget and estimated year end position.
- 4.2 **Income** – Invoices have been issued for rent in quarter 3 with the exception of the second Dornoch Caravan Park rental invoice. This has now been issued and will be reflected in the quarter 4. As reported previously, the income for 2018/19 is due from expected interest of £1,000 and rental income of £21,530 from the following:
- Dornoch Caravan Park;
 - Dornoch Water Treatment Works;
 - Dornoch Firth Salmon Netting Rights;
 - Dornoch Golf Course (part);
 - Coastguard Station;
 - Land at Well Street;
 - and History Links, Dornoch.
- 4.3 **Expenditure** – Spend on property and miscellaneous costs has increased as a result of survey work needed in relation to Dornoch Caravan Park, along with fees incurred in relation to rent reviews undertaken on behalf of the Common Good, property insurance costs and Dornoch CGFs proportion of the CGF officers' costs.
- 4.4 Members are asked to note the spend on Voluntary Sector Grants as itemised in Note 1. This is currently within the agreed limit of £12,000.
- 4.5 As advised previously, the project to build a new Dornoch Community Hall will not now be going ahead and the planned £25,000 contribution from the Common Good Fund is no longer required in this financial year. The anticipated outturn for the Grants payments is therefore reduced to reflect this. However, Members are advised that, going forward, there is an anticipated commitment to the new build Dornoch Sports Centre of £100,000 which has been a long standing arrangement. Highland Council is reviewing a revised Capital Plan with a report to Council deferred until 8th March 2018. Further detail will be brought back to the next meeting of the Committee.
- 4.6 Dornoch Caravan Park – The current lease for Dornoch Caravan Park was automatically passed to the Executors of the Late Leaseholder on his death.

A lease assignment is on hold whilst a current rent review is ongoing. There are other ongoing legal matters which will be reported in due course and appropriately to Members.

4.7 The overall expected outturn position for the year is a surplus of £5,462.

5. Budget for 2018/19

5.1 The proposed revenue budget for 2018/19 can be found in **Appendix 3**.

5.2 Rental Income - Rent is due as noted at 3.2 above, but there will be an increase of £1500 from rental which will become due from land leased to allow the building of a hangar at Dornoch Aerodrome as reported to Members at Sutherland County Committee on 27th November 2017. There are also discussions ongoing in relation to land to be leased to allow for building of a large agricultural shed to be used as storage for Sutherland Agricultural Society. However, as this is still uncertain this has not been built into the proposed budget.

5.3 Interest on Revenue Balances - Assuming that the current low interest rates continue it is anticipated that interest receivable on projected surplus balances will be approx. £1000 in 2018/19.

5.4 Property and Miscellaneous Costs - Property costs (usually relating to repair and maintenance) tend to be low. Likewise other costs covered by the Common Good Fund tend to be minimal. However given the assumed increased expenditure incurred by ongoing legal work and rent reviews on Dornoch Caravan Park and the Scottish Water Site it is proposed to increase the budget to £7,000 to cover these and any other essential costs.

5.5 Grants to the Community - In order to protect reserves it has been agreed in future to limit grants to £12,000 whilst noting the proposed grant to Dornoch Sports Hall at 3.3 above.

6. Financial Strategy

6.1 **Appendix 4** details the potential impact on the fund over the next 5 years with the key assumptions detailed below.

6.2 It is important to ensure that the DCGF is being managed responsibly over the long term. Members will be aware that the main sources of income are rents due from the caravan site, the water board premises and coastguard station.

6.3 Given the security of the rental income sources and lease lengths, it is reasonable to assume that income will be maintained at approximately the same level over the next 5 years. Increases may arise from rent reviews or new opportunities to lease additional areas.

6.4 In recent years the main expenditure incurred has been in relation to the grants awarded. These are discretionary and the budget level can therefore be varied with Committee approval from year to year as required. However for planning purposes it is proposed that a continued annual budget of £12,000 for grants be assumed. In addition to this the grant commitment in place for Dornoch Sports Hall must be taken into account. Property costs have been low but given that the DCGF owns properties, land and trees there are potential liabilities and it is suggested a modest increase of £2000 from £5000 to £7000 be agreed.

6.5 On the basis of these planning assumptions the revenue reserves of the DCGF would reduce over the next 3 years due to the grant to Dornoch Sports Hall but once this commitment is delivered a small surplus of £3,530 per year would be generated.

7. Implications

7.1 There are no equalities, Carbon Clever/Climate Change, Rural, Risk or Gaelic implications in the report.

7.2 **Legal and Financial Implications** – 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. Additionally, through the governance being implied by the Finance Service, funds will remain compliant with all financial regulations.

The anticipated out turn for 2017/8 will result in a surplus of £5,462. This will increase the balance on revenue reserves which stood at £223,593 at the end of March 2017. Expenditure is being kept to a minimum in order to build reserves for future for projects for protection or development of Common Good assets. Any future Capital Projects will be brought to Committee for consideration. For the next three financial years the year end position is predicted to be a deficit as a result of the substantial commitment to Dornoch Sports Hall. This will be funded from revenue reserves but longer term deficits are not anticipated.

Designations: Derek Yule, Depute Chief Executive & Director of Corporate Resources
Carron McDiarmid Head of Policy & Reform, Chief Executives Service

Date: 8th February 2018

Author: Garry Cameron, Ward Manager
Steven Wright, Trainee Accountant, Corporate Resources

Note 1	Grants and Contributions 17/18	£
	Dornoch & District Community Association – <i>Replacement hanging baskets</i>	1,000.00
	Dornoch Heritage (Historylinks Museum) – <i>Renewal of interpretation panels</i>	3,112.40
	Dornoch Cathedral Boys Brigade – <i>Activities and running costs</i>	300.00
	Dornoch Beach Regeneration Improvement Group – <i>Beach playground</i>	5,000.00
	Total YTD	9,412.40

APPENDIX 1**STATEMENT OF ACCOUNTS 2016-17****Dornoch Common Good Fund**

Income and Expenditure Account	2016/17	2015/16
	£	£
<u>Expenditure</u>		
Grants and contributions	11,682	15,160
Property repairs and maintenance	255	165
Administration charges	125	93
Total expenditure	<u>12,062</u>	<u>15,418</u>
<u>Income</u>		
Rents	21,530	21,480
Interest and investment income	838	901
Sale of Land	-	-
Miscellaneous	-	3,000
Total income	<u>22,368</u>	<u>25,381</u>
Surplus/(deficit) for the year	<u>10,306</u>	<u>9,963</u>
Revaluation gains/(losses)	15,000	155,000
Total comprehensive income and expenditure	<u>25,306</u>	<u>164,963</u>

Balance Sheet	31/03/17	31/03/16
	£	£
<u>Non current assets</u>		
Investment Properties	170,000	155,000
Heritage assets	<u>22,250</u>	<u>22,250</u>
	192,250	177,250
<u>Current assets</u>		
Loans fund deposits	213,700	203,286
Sundry Debtors	<u>20,199</u>	<u>20,400</u>
	233,899	223,686
<u>Current liabilities</u>		
Amounts due to other local authorities	-	(93)
	<u>-</u>	<u>(93)</u>
Total assets	<u>426,149</u>	<u>400,843</u>
Usable reserves		
Revenue funds	233,899	223,593
Unusable reserves		
Revaluation reserve	22,250	22,250
Capital adjustment account	170,000	155,000
Total reserves	<u>426,149</u>	<u>400,843</u>

APPENDIX 2

**Dornoch Common Good - Quarterly Monitoring
Period to 31 December 2017**

INCOME	Actual to date £	Budget £	Estimated Outturn £	Estimated Variance £
Rents	12,930	21,530	21,530	-
Interest and investment income	-	1,000	1,000	-
TOTAL INCOME	12,930	22,530	22,530	-
EXPENDITURE				
Staff Costs	830	-	1,660	1,660
Grants & contributions	9,412	37,000	12,000	(25,000)
Miscellaneous Costs	3,277	5,000	3,407	(1,593)
TOTAL EXPENDITURE	13,519	42,000	17,068	(24,932)
Income less Expenditure	<u>(589)</u>	<u>(19,470)</u>	<u>5,462</u>	<u>24,932</u>

APPENDIX 3**DORNOCH COMMON GOOD FUND
PROPOSED BUDGET 2018/19**

	2018/19	2017/18
<u>Income</u>	£	£
Rents	23,030	21,530
Interest	1,000	1,000
Total income	<u>24,030</u>	<u>22,530</u>
<u>Expenditure</u>		
Grants and Contributions	12,000	12,000
Games Hall Commitment	50,000	25,000
Miscellaneous	7,000	5,000
Total expenditure	<u>69,000</u>	<u>42,000</u>
Surplus/(deficit) for year	<u><u>(44,970)</u></u>	<u><u>(19,470)</u></u>

APPENDIX 4

Dornoch Common Good 5 Year Budget	2017/18	2018/19	2019/20	2020/21	2022/23	2023/24
	est outturn					
	£	£	£	£	£	£
Rents	21,530	23,030	21,530	21,530	21,530	21,530
Interest etc	1,000	1,000	1,000	1,000	1,000	1,000
Total income	22,530	24,030	22,530	22,530	22,530	22,530
Grants	12,000	12,000	12,000	12,000	12,000	12,000
Games Hall Commitment	0	50,000	25,000	25,000	0	0
Miscellaneous - Property/Admin	5,068	7,000	7,000	7,000	7,000	7,000
Total Expenditure	17,068	69,000	44,000	44,000	19,000	19,000
Surplus/(deficit)	5,462	(44,970)	(21,470)	(21,470)	3,530	3,530
Revenue Fund at 31/03/17		233,899				
Revenue Fund at end of FY	233,899	239,361	194,391	172,921	151,451	158,511