

Agenda Item	4
Report No	N/18/18

HIGHLAND COUNCIL

Committee: Nairnshire Committee

Date: 28 November 2018

Report Title: Nairn Common Good Fund – Audited Accounts, Annual Report 2017 / 18 and Quarter 2 Monitoring

Report By: Depute Chief Executive and Director of Corporate Resources and Inverness City Area Manager

1 Purpose/Executive Summary

- 1.1 This report presents the audited accounts and annual report for the financial year 2017/18, and reports on the position of the Nairn Common Good Fund as shown in the Quarter 2 monitoring statement for 2018/19.

2 Recommendations

- 2.1 Members are asked to consider:
- the Nairn Common Good Fund Annual Report for 2017/18 and
 - the position of the Nairn Common Good Fund and outturn as shown in the Quarter 2 monitoring statement against budget.

3 Annual Report

3.1 **Appendix 1** of this report shows the Income and Expenditure Account and Balance Sheet in respect of the Nairn Common Good Fund (NCGF) for the Financial Year 2017/18.

3.2 Expenditure

3.2.1 The main area of expenditure relates to Property maintenance costs which comprises grounds maintenance (largely grass cutting), general maintenance costs for Common Good areas but principally related to the Links, and the operational management agreement with Highlife Highland. Also included are costs for electricity and water for the Links.

3.2.2 It should be noted that Rents, rates and insurance shows a reduction which is due to revaluation of the River Fishings, resulting in a saving of over 6k to the NCGF.

3.2.3 Legal expenses are slightly above what was budgeted for and directly reflect legal work associated with the Lochloy Caravan Park extension.

3.2.4 Admin and staff costs relate to the NCGF share of charges for the Common Good Fund Officer as well as central support charges.

3.3 Income

3.3.1 The principal income for the NCGF comes mainly from rents and lettings (shown under Rents). There has been steady growth in NCGF income due to proactive management of the property portfolio. The overall target exceeded the budget set due in part to uplift in rent from negotiations related to the Lochloy Caravan Park extension.

3.3.2 Interest and investment income shows a modest amount which is the interest on cash balances held with the Councils Loans Fund.

3.3.3 As a result of the above, a revenue surplus of £133,202 was achieved, increasing the usable reserves of the fund.

3.4 Other Comprehensive Income

3.4.1 Following the year-end valuation process a revaluation gain of £495,000 has been recognised in terms of the main investment properties held by the fund, namely Sandown and Lochloy. This does not have an impact on the Usable Reserves of the fund but can be seen by the movement in the Capital Adjustment Account which is the reserve that holds the balance of the investment properties.

3.5 Balance Sheet

3.5.1 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.

3.5.2 Usable Reserves – As previously reported to Committee and agreed by Members, an investment strategy has been implemented for the Nairn Common Good Fund. At the 31st March £480,000 had just been paid to the investment manager, Adam and

Company, but had not been used to purchase any stocks. As at the present day the funds have now been fully invested. In future years' accounts the current value of the stocks and movement in valuation over the period will be shown and commentary on the overall performance of the investment will be included in the equivalent of this report.

- 3.5.3 It is intended that income generated by shares will be reinvested and any surplus made by the NCGF in the financial year may also be invested in the portfolio subject to a minimum level of cash balances being maintained.
- 3.5.4 Unusable Reserves – The revaluation reserve represents the value held in terms of the Heritage assets of the fund, which for the NCGF is the Provosts Chain.
- 3.5.5 The capital adjustment account represents the value of the investment properties. The movement in the year in this reserve is the result of gain on revaluation.

4 Quarter 2 Monitoring Statement

- 4.1 A monitoring statement showing transactions against budget to the end of September 2018 is attached at **appendix 2**.
- 4.2 **Income** – Income received to date is on target and within budget and comes largely from property rentals. Lettings income comes principally from the Nairn Highland Games and comprises annual income from the Showmens Guild, the hospitality tent and stalls. There is also a small amount of income from ad hoc lets at the Links. Wayleave income from SSE is included in Miscellaneous income.

The estimated outturn remains as is and will be updated for the Quarter 3 monitoring report.

- 4.3 **Expenditure** – Spend to date is line with budget. Property costs reflect the Highlife Highland management fee for the Leisure Park and Paddling Pool and maintenance costs for the Pool and Links area. Grounds maintenance charges relating to grass cutting will be shown in the Quarter 3 monitoring report. First quarter charges are shown for electricity and water charges for the Pavilion and Links area. The annual levies have been paid for the River Fishings, as have charges for insurance for common good property.

The Links Development Plan consultation project is now well underway and costs will be included in the Quarter 3 monitoring report as no charges have been incurred to date.

5 Implications

- 5.1 Resource – As previously reported to Committee, expenditure continues to be kept to a minimum in order to build reserves for future projects for protection or development of Common Good assets. Any future Capital Projects will be brought to Committee for consideration.
- 5.2 Legal – none.
- 5.3 Community (Equality, Poverty and Rural) – none. Any future major project would seek to improve equality of access.

- 5.4 Climate Change/Carbon Clever – none. Any future project would seek to increase energy efficiency where possible.
- 5.5 Risk – none.
- 5.6 Gaelic – none.

Designations: Derek Yule, Depute Chief Executive and Director of Corporate Resources
David Haas, Inverness City Area Manager

Date: 14 November 2018

Author: Liz Cowie, Ward Manager
Steven Wright, Trainee Accountant

STATEMENT OF ACCOUNTS 2017-18

Appendix 1

Nairn Common Good Fund

Income and Expenditure Account	2017/18 £	2016/17 £
<u>Expenditure</u>		
Property maintenance	51,143	97,205
Rent, rates and insurance	3,561	9,100
Legal expenses	1,403	121
Special grants	0	2,835
Administration charges	1,315	1,486
Staff Costs	8,098	-
Total expenditure	<u>65,520</u>	<u>110,747</u>
<u>Income</u>		
Rents	196,554	97,618
Miscellaneous income	27	118
Interest and investment income	2,141	1,758
Total income	<u>198,722</u>	<u>99,494</u>
Surplus/(deficit) for the year	<u>133,202</u>	<u>(11,253)</u>
Revaluation gains/(losses)	495,000	55,000
Total comprehensive income and expenditure	<u><u>628,202</u></u>	<u><u>43,747</u></u>
Balance Sheet	31/03/18	31/03/17
<u>Non current assets</u>		
Investment properties	7,429,000	6,934,000
Heritage assets	60,000	60,000
Investments at valuation	480,000.0	-
	<u>7,969,000</u>	<u>6,994,000</u>
<u>Current assets</u>		
Loans fund deposits	60,778	425,120
Sundry Debtors	7,774	(60)
	<u>68,552</u>	<u>425,060</u>
<u>Long term liabilities</u>		
Sundry creditors	(1,585)	(11,295)
	<u>(1,585)</u>	<u>(11,295)</u>
Total assets	<u><u>8,035,967</u></u>	<u><u>7,407,765</u></u>
Usable reserves		
Revenue funds	546,967	413,765
Unusable reserves		
Revaluation reserve	60,000	60,000
Capital adjustment account	7,429,000	6,934,000
	<u>7,489,000</u>	<u>6,994,000</u>
Total reserves	<u><u>8,035,967</u></u>	<u><u>7,407,765</u></u>

**Nairn Common Good - Quarterly Monitoring
Period to 27 September 2018**

APPENDIX 2

	Actual to date £	Annual Budget £	Estimated Outturn £	Variance £
INCOME				
Rents	95,079	106,000	106,000	0
Lettings	5,357	10,000	10,000	0
Miscellaneous Income	327	50	327	277
	<u>100,763</u>	<u>116,050</u>	<u>116,327</u>	<u>277</u>
TOTAL INCOME	<u><u>100,763</u></u>	<u><u>116,050</u></u>	<u><u>116,327</u></u>	<u><u>277</u></u>
EXPENDITURE				
Property Costs	10,681	55,000	55,000	0
Electricity	465	1,000	1,000	0
Water charges	108	1,000	1,000	0
Rents, Rates and Insurance	3,526	3,500	3,526	26
Central support	1,553	10,000	10,000	0
Advertising	0	250	250	0
Legal Expenses	3	1,000	1,000	0
Project Costs - Links Development	0	15,000	15,000	0
TOTAL EXPENDITURE	<u>16,336</u>	<u>86,750</u>	<u>86,776</u>	<u>26</u>
Income less Expenditure	<u><u>84,427</u></u>	<u><u>29,300</u></u>	<u><u>29,551</u></u>	<u><u>251</u></u>