

Agenda Item	9b
Report No	CIA/57/19

THE HIGHLAND COUNCIL

Committee: City of Inverness Area Committee

Date: 21 November 2019

Report Title: Inverness Common Good Fund Annual Report 2018/19

Report By: Liz Denovan, Executive Chief Officer
David Hass Inverness City Area Manager

1. Purpose/Executive Summary

1.1 This report presents the final outturn and audited balance sheet for 2018/19 for Inverness Common Good Fund (ICGF). Net expenditure is less than budgeted, due to delayed expenditure on grants, receipt of investment income and commercial rental income exceeding expectations. An overall revenue surplus of £0.571m was achieved which was £0.478m higher than budgeted. This was used to fund expenditure on projects of £1.230m (mainly the Town House refurbishment) resulting in 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 31st March 2019.

3. Implications

3.1 **Resource** - As detailed within report.

3.2 **Legal** – None

3.3 **Community (Equality, Poverty, Rural and Island)** – None

3.4 **Climate Change / Carbon Clever** – None

3.5 **Risk** – None

3.6 **Gaelic** - None

4. Annual Report – Income, Expenditure & Projects

- 4.1 **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 2018/19.
- 4.2 The outturn before capital projects shows a surplus of income over expenditure of £0.571m. An underspend on Grants of £0.163m; £0.175m investment income which had not been budgeted as well as income in excess of budget from Industrial estates rents of £0.119m were the main contributors to this surplus. The revenue surplus of £0.571m helped fund the cost of Projects of £1.230m. The balance of capital expenditure (£0.659m) was met from Fund reserves.
- 4.3 Commentary on significant variances (greater than £0.005m) is set out below per cost centre.

5. Variances - Income

5.1 Rents – Industrial Estates

The income of £1.620m is £0.119m more than budgeted. The greater level of income is due to the commercial portfolio performance exceeding expectations along with a premium received following the renegotiation of a rental agreement.

5.2 Rents – Victorian Market

Income received during the year of £0.268m was £0.021m more than budgeted. This was a result of increased occupancy levels within the market.

5.3 Rents – 1-5 Church Street

Income received during the year of £0.092m was £0.017m greater than budgeted following a new tenant locating to the property.

5.4 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.

5.5 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.

5.6 Other Income – Income from Investments

As in previous years, Investment income from the ICGF Property and Share Portfolio amounting to £0.175m has been received and re-invested.

6. Variances - Expenditure

6.1 Victorian Market

The underspend of £0.012m was a result of property related expenditure coming in lower than expected.

6.2 Town House Maintenance and General Common Good Charges

The underspend of £0.044m is predominantly due to maintenance costs being lower following refurbishment.

6.3 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.

6.4 Other Properties

The underspend of £0.023m is due to slippage. Maintenance work will be carried forward to 2019/20.

6.5 Civic and Conference Hospitality

The overspend of £0.005m arose because of some events which were committed from the 2017/18 budget but where expenditure was not incurred until 2018/19.

6.6 Winter Payments

While the total value of the scheme cost £0.126m against a budget of £0.132m, once the contribution from the Inverness benevolent fund of £0.32m for payments to those applicants from landward wards was taken into account it resulted in an underspend for the ICGF of £0.038m.

6.7 Inverness Common Good Fund Grants

The original budget of £0.492m comprised £0.177m for grants committed prior to 2018/19, and £0.315m for 2018/19 grant approvals. The underspend of £0.163m relates largely to projects where funding has been agreed before or during 2018/19, but where the delivery of the project and all or part of the actual expenditure did not take place before the end of the financial year. The sum of £0.170m for grants committed during or prior to 2018/19 was rolled forward into the 2019/20 budget. During the year to support the Grants Budget the sum of £0.035m was transferred from the Conference Support Budget.

6.8 Central Support Charge

Charges in 2018/19 include the following elements which were not included in the budget and so contribute to the variance positions: the ICGF's proportion of the Common Good Fund officer's cost; the cost of extra support from staff in corporate finance; and the cost of the internal audit of common good fund rental income.

7. Projects

7.1 Expenditure totalled £1.230m, which was £0.654m less than budget.

7.2 Town House Refurbishment

The underspend of £0.302m is due to timing of contract approval.

7.3 Ness Islands - Structural Maintenance Programme

The overspend of £0.008m was due to essential safety related works which had not

been budgeted.

8. Balance Sheet

- 8.1 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.
- 8.2 Unusable Reserves comprise the Revaluation Reserve, Capital Adjustment Account, and Assets Held for Sale Reserve. These are matched with the non-current assets.
- 8.3 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 (£22.478m).
- 8.4 The value of the investment portfolio which was formally split over the Assets Held for Sale Reserve and Revenue Funds is now fully held in Revenue Funds due to the requirement in IFRS 9 Financial Instruments to transfer the balance held in the Assets Held for Sale Reserve to Revenue Funds. The Assets Held for Sale Reserve represented the unrealised gain on the market value of the investment portfolio (£2.281m) and when added to the book value of the investments (£4.836m) gives the total market value of investments at 31 March 2019 (£7.117m).
- 8.5 Usable reserves comprise Revenue Funds and represent the actual funds available (£7.070m). This is represented by the book value of the investment portfolio (£4.836m), unrealised gains on the investment portfolio (£2.281m) and short-term deposits, sundry debtors and sundry creditors at the year-end (£-0.047m). The unrealised gains released from the former Available for Sale Reserve are not available for use due to their volatility as they are related to the valuation of the investment portfolio.

Designation: Liz Denovan Executive Chief Officer – Resources and Finance and Inverness City Area Manager.

Date: 5 November 2019

Author: David Haas, Inverness City Area Manager
Jackie McLaughlin, Principal Accounting Technician

Background Papers: N/A

**APPENDIX 1
MONITORING STATEMENT 2018/19
INVERNESS COMMON GOOD FUND CORE SPEND
FOR PERIOD ENDING 31 MARCH 2019**

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	VARIANCE
	£000	£000	£000
EXPENDITURE			
Victorian Market	202	216	-14
Victorian Market Management	47	45	2
Town House Maintenance	56	100	-44
Investment Management Fees	5	0	10
1-5 Church Street Maintenance	11	20	-9
Other Properties	72	95	-23
Civic and Conference Hospitality	137	132	5
Ness Islands & Bank Maintenance	35	35	0
River Ness Fishings	19	20	-1
Festive Lights	69	65	4
Town Twinning	3	9	-6
Winter Payments	94	132	-38
Inverness Common Good Fund Grants	328	492	-163
Conference Support	11	13	-2
City Promotions	38	44	-6
Disabled Go Project (2013-18)	8	8	0
Castle Wynd Conveniences	22	23	-1
Partnership Working	104	112	-8
Events & Festivals	338	340	-2
CCTV	85	90	-5
Property Management Fees	137	124	13
Central Support	87	60	27
Inverness Steeple	10	10	0
Commemorative Bedding	7	8	-1
TOTAL EXPENDITURE	1925	2,193	(262)
FUNDED BY:			
Rents & Lettings			
Industrial Estates	1620	1500	-119
Victorian Market	268	247	-21
Town House	257	258	1
1-5 Church Street	92	75	-17
Other Properties	39	36	-3
Other Income			
Fishing Assessment Dues	37	20	-17
Contribution to Grants from Reserves	0	141	141
Contribution to Conference Support from Reserves	0	8	8
Investment Income	175	0	-175
VAT on Management Fees	5	0	-5
Interest on Revenue Balances	4	1	-3
TOTAL FUNDING	2496	2287	-209
AVAILABLE TO FUND PROJECT SPEND	571	94	(478)

**APPENDIX 2
MONITORING STATEMENT 2018/19
INVERNESS COMMON GOOD FUND PROJECT SPEND
FOR PERIOD ENDING 31 MARCH 2019**

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	ESTIMATED VARIANCE
	£000	£000	£000
PROJECT SPEND			
Town House Refurbishment - Phase 2	30	100	-70
Town House Refurbishment - Phase 3	883	1116	-232
Ness Islands - Structural Maintenance Programme	150	141	8
Victorian Market - Opportunities for Improvement	0	150	-150
Victorian Market - Shop Front Redesign	35	40	-5
Old High Church Clock	7	30	-23
Victorian Market -Academy St Entrance	45	200	-155
Cavell Gardens Improvement Works	45	55	-10
Town House - Civic Floor	1	20	-19
Whin Park Improvement Works	33	33	0
TOTAL	1230	1884	-654
FUNDS AVAILABLE FOR PROJECT SPEND	571	94	(478)
BALANCE TO BE FUNDED BY RESERVES	(659)	(1,791)	(1,132)

31/03/2018 **Balance Sheet****31/03/2019**Non current assets

22,127,000	Investment properties	22,478,000
7,378,550	Investments at valuation	7,117,430
<u>2,063,374</u>	Heritage Assets	<u>2,063,374</u>
31,568,924		31,658,804

Current assets

34,179	Sundry debtors	12,958
0	Inventories	4,694
	Cash	833
<u>81,883</u>	Loans fund deposits	<u>123,826</u>
116,063		142,312

Current liabilities

<u>(68,864)</u>	Sundry creditors	<u>(189,414)</u>
(68,864)		(189,414)

31,616,123 **Total assets****31,611,702****Usable reserves**

4,921,151	Revenue funds	7,070,328
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Unusable reserves

2,063,374	Revaluation reserve	2,063,374
22,127,000	Capital adjustment account	22,478,000
2,504,598	Available for Sale Reserve	0
26,694,972		24,541,374

31,616,123 **Total reserves****31,611,702**