

Agenda Item	6a
Report No	CIA/26/20

THE HIGHLAND COUNCIL

Committee: City of Inverness Area Committee

Date: 19 November 2020

Report Title: Inverness Common Good Fund
Financial Monitoring and Capital Project Report

Report By: Executive Chief Officer, Finance and Resources
Executive Chief Officer Communities and Place

1. Purpose/Executive Summary

- 1.1 This report presents the expenditure monitoring position for the Inverness Common Good Fund as at 30 September 2020 and the projected year end position; and
- 1.2 Details the current status of capital projects.

2. Recommendations

- 2.1 Members are asked to:
 - i. consider the financial monitoring report to 30 September 2020; and note that overall expenditure is within agreed budgets
 - ii. Scrutinise the current status of capital projects

3. Implications

- 3.1 Resource - The report details the financial resource implications. There are no other resource implications. The general implications for income and expenditure are also shown and it is to be noted that although project spend is showing an underspend, this is due to the delay in delivering the projects and the spend will take place in the year 2021/22. Rental income is showing a negative variance however the majority is expected to be recovered before the end of the financial year noting that tenants have taken the option of deferring rent payments. Covid-19 implications have been taken into account

with applicants for grants being asked questions to confirm the ability of their project in the light of Covid-19, to deliver the agreed outcomes. Further, it should be noted that given the economic impact it is inevitable rental income will be lower than previously budgeted

- 3.2 Legal - 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.
- 3.3 Community (Equality, Poverty, Rural and Island) – None
- 3.4 Climate Change / Carbon Clever – None
- 3.5 Risk – The financial appendices highlight the impact of covid-19 on the Common Good Budgets. As highlighted in section 5 of the report, there are risk with rental income where tenants have sought to defer payments. It is the expectation that these are all received in full.
- 3.6 Gaelic – None

4. Introduction

- 4.1 This report is produced in support of the Council's corporate governance process. The purpose of the report is to advise members of the anticipated financial position against the agreed budget at the end of financial year 2020/21. **Appendices 1 and 2** show both core and project income and expenditure to 30 September 2020, the predicted year end outturn and the predicted variance. The Audit for the year 2019/20 has not been completed and the Committee are asked to note that the audited accounts will be now presented to the Committee at the next scheduled meeting set for 18th February 2021. The delay is due to work pressures following the impact of the Covid19 Pandemic.
- 4.2 **Appendix 3** provides members with more detail on the Events Management Budget. An underspend of £0.253m was reported to Committee previously. Further, since then the Inverness Events Manager has retired, and consideration is being given in consultation with the Events and Festivals working group, to the future options for Events and Festivals and other Cultural activities within the City. A report on progress is intended to be presented to Committee in February 2021.
- 4.3 **Appendix 4** details the current status of capital projects.

5. Overview

- 5.1 **Appendix 1** shows core revenue expenditure (including £0.339m of grants committed in 2019/20) for the year of £2.404m to be met by revenue income of £2.404m Core spend, and income received is anticipated to come in under budget due to the impact of Covid-19. It should be noted that due to COVID19 the level of rental defaults has increased. A number of tenants have sought rental breaks or assistance. The standard approach has been to grant postponement of rent only. The rental arrears will therefore be collected later in the year and into the next financial year. However, given the economic impact it is inevitable rental income will be lower than previously budgeted due to restrictions on maintenance and viewings vacant premises have also taken longer to remarket.

- 5.2 **Appendix 2** shows budgeted project spend of £3.033m to be funded fully from reserves. Expenditure on projects is anticipated to come in slightly under budgeted spend for this financial year because of the delay to project delivery due to Covid-19. Costs for both the Town House phase 3 and the Victorian Market project have been impacted by Covid-19, with both projects seeing increased costs as a result of the application of Covid-19 guidelines to protect the public and the workforce. There are sufficient sums within the contingency budget to meet expected additional costs for Town House phase 3 and noting the additional £250k received from the Town Centre Fund, the budget for the Victorian Market project remains fully funded at this time.
- 5.3 Any further requests for additional funding or new initiatives requiring funding will be brought to subsequent meetings of this committee for approval.
- 5.4 As a result of Covid-19 and noted in 5.1, the current year's budget is underspent by £258,000. £80,000 was previously agreed by Committee for an increase to the Winter Payments Budget. As shared with Members at the Common Good Briefing on 15 August and Recovery Workshop on 17 August, this provides an opportunity to consider how the predicted underspend could be utilised. This is the subject of a separate report on the committee agenda.

6. Capital Projects

- 6.1 **Appendix 4** details the current status of capital projects. Covid-19 has acted to delay project delivery in respect of Phase 3 of Inverness Town House and the letting of the contract to refurbish the Victorian Market Hall and Fish Hall. Apart from Lockdown, which acted to suspend all work on the Town House Phase 3, Covid-19 workplace Guidelines have required additional measures to be incorporated to protect the workforce from the Virus. This will lead to additional costs to Phase 3 Works at the Town House as shown on **Appendix 4**. The timeframe for the delivery of the refurbishment of the Victorian Market Hall and Fish Hall has also been adjusted to accommodate the likely impact of Covid-19 workplace Guidelines. The implication will be a delay of approximately 6 months in returning the Market to the potential of full occupancy and rental income.

Designation: Executive Chief Officer, Finance and Resources

Date: 5 November 2020

Author: David Haas, Inverness City Area Manager

Background Papers:

**APPENDIX 1
MONITORING STATEMENT 2020/21
INVERNESS COMMON GOOD FUND CORE SPEND
FOR PERIOD ENDING SEPT 2020**

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	ESTIMATED OUTTURN	ESTIMATED VARIANCE	Covid 19 - Impact on Budgets
EXPENDITURE					
Victorian Market Maintenance	5	48	48	0	0
Victorian Market Operations	64	198	198	0	0
Victorian Market Management	26	52	52	0	0
Town House Maintenance	2	100	100	0	0
1-5 Church Street Maintenance	0	5	5	0	0
Other Properties	28	104	104	0	0
Civic and Conference Hospitality	1	125	0	-125	-125
Ness Islands & Bank Maintenance	0	35	35	0	0
River Ness Fishings	0	20	20	0	0
Festive Lights	0	73	73	0	0
Town Twinning	0	9	5	-4	-4
Winter Payments	1	235	235	0	0
Inverness Common Good Fund Grants	44	609	609	0	0
Conference Support	9	40	40	0	0
City Promotions	17	42	42	0	0
Castle Wynd Conveniences	0	22	0	-22	-22
Partnership Working	21	112	40	-72	-72
Events & Festivals	8	173	-35	-208	-208
Events & Festivals Management	23	50	50	0	0
CCTV	0	90	90	0	0
Property Management Fees	0	140	140	0	0
Central Support Charge	8	82	82	0	0
Inverness Steeple	0	10	10	0	0
Commemorative Bedding	0	11	3	-8	-8
Investment Advisor Fees	3	10	10	0	0
Press & Public Relations	0	10	10	0	0
TOTAL EXPENDITURE	262	2,404	1,965	(439)	(439)
FUNDED BY:					
Rents & Lettings					
Industrial Estates	893	1617	1500	117	117
Victorian Market	55	128	80	48	48
Town House	0	246	246	0	0
1-5 Church Street	62	96	96	0	0
River Ness Fishing Rights	0	10	10	0	0
Other Properties	14	32	16	16	16
Other Income					
Fishing Assessment Dues	0	20	20	0	0
Contribution from Town Centre Fund	0	250	250	0	0
VAT on Management Fees	1	4	4	0	0
Interest on Revenue Balances	0	1	1	0	0
TOTAL FUNDING	1024	2404	2223	181	181
AVAILABLE TO FUND PROJECT SPEND	762	0	258	(258)	(258)
Unspent Commitments from 2019/20					
Contribution to Grants from Reserves	0	334	334	0	0
Contribution to Conference Support from Reserves	0	2	2	0	0
Contribution to City Promotions from Reserves	0	3	3	0	0
	0	339	339	0	0

**APPENDIX 2
MONITORING STATEMENT 2020/21
INVERNESS COMMON GOOD FUND PROJECT SPEND
FOR PERIOD ENDING SEPT 2020**

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	ESTIMATED OUTTURN	ESTIMATED VARIANCE	Covid 19 - Impact on Budgets
	£000	£000	£001	£000	
PROJECT SPEND					
Town House Refurbishment - Phase 3	241	1400	1000	(400)	(400)
Victorian Market - Shop Front Redesign	0	75	0	(75)	(75)
Cavell Gardens Improvement Works	0	5	5	0	0
Town House - Civic Floor	0	40	40	0	0
Whin Park Improvement Works	0	33	22	(11)	0
Victorian Market - Market Hall Improvements	29	1370	882	(488)	(488)
Compensation Payments - Victorian Market	0	110	110	0	0
TOTAL	270	3033	2059	(974)	(963)
FUNDS AVAILABLE FOR PROJECT SPEND	762	0	258	(258)	(258)
BALANCE TO BE FUNDED BY RESERVES	493	(3,033)	(1,801)	(1,232)	(1,221)
Value of investments at 31.03.2020	5,338	5,338	5,338		
transfer to/(use of) fund	493	(3,033)	(1,801)		
	5,831	2,305	3,537		

APPENDIX 3
Events and Festivals Budget Monitoring
FOR PERIOD ENDING SEPT 2020

	ACTUAL
	YEAR TO DATE
	£
Income	
Grants	-
Merchandise Income	-
Income	-
	<hr/>
	-
 Expenditure	
Entertainers	-
Equipment	3,449
Event Office	23,102
Council Staff	-
Marketing	290
Licences	-
Security and First Aid	-
Events Merchandise	4,694
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	31,535
 Net Total	
	<hr/>
	31,535
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Capital Projects Funded by Inverness Common Good Fund

1 General

- 1.1 This appendix provides project status information for current key capital projects funded by the Inverness Common Good Fund, including financial progress details, as of 4 November 2020.

2 Capital Programme Update

- 2.1 The current status of each individual project is summarised below.

2.4 Conservation of External Fabric Phase 3, Town House, Inverness

- 2.4.1 Acceptance letter issued on the 23 July 2018. Work commenced on site on 10 September 2018 and the completion date for is 11 September 2020.

Work was progressing well and was on programme up until lockdown. The contractor stopped work 23 March 2020 and resumed on site on 15 June 2020 to prepare the site ready for the workforce returning on 29 June 2020. This equated to 10 weeks delay on site. The new completion date under normal circumstances would be 27 November 2020 but after work recommenced on site certain restrictions remain and not all the workforce could return to work on this date.

The full workforce has now returned to work with a new completion date of the 26 March 2021.

Agreed Total Common Good Funding	£3,204,083.57
Anticipated Final Account	£3,204,083.57

2.5 Victorian Market, Academy Street Entrance Upgrade

- 2.5.1 The project is now complete and in the defects period.

Agreed Total Common Good Funding	£20,147.60
Third Party Funding	£30,256.00
Total Project Costs	£50,403.60
Anticipated Final Account	£50,403.60

2.6 Civic Floor Male Toilet Refurbishment, Inverness Town House

- 2.6.1 Refurbishment drawings and tender documentation has been completed, tender costs have been received and are over budget, after looking at the tender costs further quotations will be sought. Once costs have been agreed Discussions with Civic Officer will be held to arrange an appropriate time for the works to take place as the toilets will be out of use for a period of four to six weeks.

Critical works on the external works package is currently being undertaken so this project will be put on hold until for these works are completed.

2.7 Victorian Market, Market Hall & Fish Market Refurbishment

2.7.1 The contract acceptance has been issued. A notice to quit for the remaining traders has been issued with the notice period ending on Thursday 14 January 2021. The agreed commencement date for the works is Monday 18 January 2021 with completion on Friday 14 January 2022.

Agreed Total Common Good Funding	£1,635,339.29
Anticipated Final Account	£1,635,339.29

3. Governance

3.1 These projects are funded by the Inverness Common Good Fund and monthly Contract Monitoring reports will be issued to the Inverness City Manager, in line with governance arrangements.