

Agenda Item	7a
Report No	CIA/5/21

## THE HIGHLAND COUNCIL

**Committee:** City of Inverness Area Committee

**Date:** 18 February 2021

**Report Title:** **Inverness Common Good Fund  
2019/20 Final Position, Financial Monitoring and Capital  
Project Report**

**Report By:** Executive Chief Officer, Finance and Resources

### 1. Purpose/Executive Summary

- 1.1 This report presents:
- the final position for the financial year 2019/20;
  - the expenditure monitoring position for the Inverness Common Good Fund as at 31 December 2020 and the projected year end position; and
  - details the current status of capital projects.

### 2. Recommendations

- 2.1 Members are asked to:
- i. Consider the Inverness Common Good Fund final monitoring report for 2019/20 and balance sheet as at 31<sup>st</sup> March 2020;
  - ii. Consider the financial monitoring report to 31 December 2020; and note that overall expenditure is within agreed budgets; and
  - iii. 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 in 2020/21, this is due to the delay in delivering the projects mainly as a result of Covid 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. Some rental

payments will not be made until the next financial year. 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. Allocations made from the Underspend identified are shown within **Appendix 1**.

- 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 present the final 2019/20 financial position (**Appendices 1 and 2**) and to advise members of the anticipated position against the agreed budget at the end of financial year 2020/21. **Appendices 3 and 4** show both core and project income and expenditure to 31 December 2020, the predicted year end outturn and the predicted variance.
- 4.2 **Appendix 4** details the current status of capital projects
- 4.3 **Appendix 5** provides members with more detail on the Events Management Budget.

#### **5. Overview**

- 5.1 *Final Monitoring Report 2019/20*  
In the 2019/20 financial year expenditure was higher than budget, slightly offset by income being higher than budget. As shown in **Appendix 1** an overall revenue surplus of £0.413m was achieved and this was used to contribute towards the funding of expenditure on projects of £1.674m (mainly the Town House refurbishment) resulting in fewer reserves than anticipated having to be realised to fund this expenditure.
- 5.2 The underlying concept of the Balance Sheet (**Appendix 2**) 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.
- 5.3 Unusable Reserves comprise the Revaluation Reserve, Capital Adjustment Account, and Assets Held for Sale Reserve. These are matched with the non-current assets.
- 5.4 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 (£23.505m).

- 5.5 The value of the investment portfolio (£5.338m) along with that of debtors, inventory, loans fund credit balance and creditors is held in Revenue Funds (£4.994m) this is the Usable Reserve and represents actual funds available.
- 5.6 **Financial Monitoring 2020/21**  
**Appendix 3** shows core revenue expenditure for 2020/21 until end Dec 2020 (including £0.339m of grants committed in 2019/20) along with the forecasted level of spend at year end. Year-end forecast spend is anticipated to be below budget across a range of budget headings. Forecast income for the year 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.
- 5.7 **Appendix 4** shows budgeted project spend of £3.033m for the year 2020/21 to be funded partly from reserves. Expenditure on projects is anticipated to come in under budget 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.
- 5.8 Any further requests for additional funding or new initiatives requiring funding will be brought to subsequent meetings of this committee for approval.

## 6. Capital Projects

- 6.1 **Appendices 4 and 6** detail 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: 3 February 2021

Author: David Haas, Inverness City Area Manager,  
Margaret Grigor, Finance Manager

Background Papers:

Received by Committee Services on 9 February 2021 at 5.21pm

**APPENDIX 1**  
**MONITORING STATEMENT 2019/20**  
**INVERNESS COMMON GOOD FUND CORE SPEND**  
**FOR PERIOD ENDING 31st March 2020 Final**

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	VARIANCE
	£000	£000	£000
<b>EXPENDITURE</b>			
Victorian Market Maintenance	45	48	(4)
Victorian Market Operations	181	193	(12)
Victorian Market Management	50	49	1
Town House Maintenance	54	100	(46)
1-5 Church Street Maintenance	1	10	(9)
Other Properties	175	94	81
Civic and Conference Hospitality	118	132	(14)
Ness Islands & Bank Maintenance	35	35	(0)
River Ness Fishings	20	20	(0)
Festive Lights	55	73	(18)
Town Twinning	5	9	(4)
Winter Payments	165	152	13
Inverness Common Good Fund Grants	276	2	274
Conference Support	40	42	(1)
City Promotions	39	68	(29)
Castle Wynd Conveniences	14	23	(9)
Partnership Working	107	112	(5)
Events & Festivals	340	340	(0)
CCTV	85	90	(5)
Property Management Fees	141	140	1
Central Support Charge	81	80	1
Inverness Steeple	0	10	(10)
Commemorative Bedding	11	8	3
Investment Advisor Fees	47	10	37
Press & Public Relations	0	10	(10)
<b>TOTAL EXPENDITURE</b>	<b>2084</b>	<b>1,848</b>	<b>236</b>
<b>FUNDED BY:</b>			
<b>Rents &amp; Lettings</b>			
Industrial Estates	1619	1530	(89)
Victorian Market	233	249	17
Town House	245	241	(3)
1-5 Church Street	85	75	(10)
Other Properties	45	42	(3)
<b>Other Income</b>			
Fishing Assessment Dues	19	20	1
Benevolent Fund	37	0	(37)
Contribution to Grants from Reserves	0	225	225
Contribution to Conference Support from Reserves	0	2	2
Contribution to City Promotions from Reserves	0	13	13
Investment Income	211	0	(211)
VAT on Management Fees	5	0	(5)
Interest on Revenue Balances	0	1	1
<b>TOTAL FUNDING</b>	<b>2497</b>	<b>2397</b>	<b>(100)</b>
<b>AVAILABLE TO FUND PROJECT SPEND</b>	<b>413</b>	<b>549</b>	<b>136</b>

**INVERNESS COMMON GOOD FUND PROJECT SPEND**  
**FOR PERIOD ENDING 31st March 2020 Final**

	ACTUAL YEAR TO DATE	ANNUAL BUDGET	ESTIMATED VARIANCE
	£000	£000	£000
<b>PROJECT SPEND</b>			
Town House Refurbishment - Phase 3	1516	1800	(284)
Ness Islands - Structural Maintenance Programme	11	10	1
Victorian Market - Shop Front Redesign	0	150	(150)
Victorian Market -Academy St Entrance	30	12	18
Cavell Gardens Improvement Works	11	5	6
Town House - Civic Floor	1	40	(39)
Whin Park Improvement Works	19	39	(20)
Victorian Market - Market Hall Improvements	86	25	61
<b>TOTAL</b>	<b>1674</b>	<b>2081</b>	<b>(407)</b>
<b>FUNDS AVAILABLE FOR PROJECT SPEND</b>	<b>413</b>	<b>549</b>	<b>136</b>
<b>BALANCE TO BE FUNDED BY RESERVES</b>	<b>(1,261)</b>	<b>(1,532)</b>	<b>(271)</b>

**APPENDIX 2****STATEMENT OF ACCOUNTS  
Inverness Common Good Fund**

£		£
31/03/2019	<b>Balance Sheet</b>	<b>31/03/2020</b>
	<u>Non current assets</u>	
22,478,000	Investment properties	23,505,000
7,117,430	Investments at valuation	5,338,105
2,063,374	Heritage Assets	2,063,374
<u>31,658,804</u>		<u>30,906,479</u>
	<u>Current assets</u>	
12,958	Sundry debtors	4,860
4,694	Inventories	8,025
833	Cash	0
123,826	Loans fund deposits	0
<u>142,312</u>		<u>12,885</u>
	<u>Current liabilities</u>	
(189,414)	Sundry creditors	(219,217)
0	Loans fund deposits	(138,236)
<u>(189,414)</u>		<u>(357,453)</u>
<u><b>31,611,702</b></u>	<b>Total assets</b>	<u><b>30,561,911</b></u>
	<b>Usable reserves</b>	
7,070,328	Revenue funds	4,993,537
	<b>Unusable reserves</b>	
2,063,374	Revaluation reserve	2,063,374
22,478,000	Capital adjustment account	23,505,000
0	Available for Sale Reserve	0
<u>24,541,374</u>		<u>25,568,374</u>
<u><b>31,611,702</b></u>	<b>Total reserves</b>	<u><b>30,561,911</b></u>

**APPENDIX 3**  
**MONITORING STATEMENT 2020/21**  
**INVERNESS COMMON GOOD FUND CORE SPEND**  
**FOR PERIOD ENDING DEC 2020**

	ACTUAL YEAR TO DATE	REVISED ANNUAL BUDGET	ESTIMATED OUTTURN	ESTIMATED VARIANCE
	£000	£000	£000	£000
<b>EXPENDITURE</b>				
Victorian Market Maintenance	17	48	48	0
Victorian Market Operations	142	198	198	0
Victorian Market Management	39	52	52	0
Town House Maintenance	16	100	100	0
1-5 Church Street Maintenance	0	5	5	0
Other Properties	33	87	77	(10)
Civic and Conference Hospitality	3	125	4	(121)
Ness Islands & Bank Maintenance	0	35	35	0
River Ness Fishings	0	20	10	(10)
Festive Lights	0	73	73	0
Town Twinning	0	9	5	(4)
Winter Payments	113	235	235	0
Inverness Common Good Fund Grants	84	639	522	(117)
Conference Support	9	40	40	0
City Promotions	26	42	42	0
Castle Wynd Conveniences	0	22	0	(22)
Partnership Working	33	112	40	(72)
Events & Festivals	8	143	10	(133)
Events & Festivals Management	30	50	50	0
CCTV	0	90	90	0
Property Management Fees	141	140	141	1
Central Support Charge	22	82	82	0
Inverness Steeple	0	10	10	0
Commemorative Bedding	0	28	28	0
Investment Advisor Fees	5	10	10	0
Press & Public Relations	3	10	4	(6)
<b>TOTAL EXPENDITURE</b>	<b>725</b>	<b>2404</b>	<b>1910</b>	<b>(494)</b>
<b>FUNDED BY:</b>				
<b>Rents &amp; Lettings</b>				
Industrial Estates	1421	1617	1600	17
Victorian Market	88	128	110	18
Town House	246	246	246	0
1-5 Church Street	88	96	96	0
River Ness Fishing Rights	0	10	10	0
Other Properties	34	32	21	11
<b>Other Income</b>				
Fishing Assessment Dues	0	20	10	10
Contribution from Town Centre Fund	0	250	250	0
VAT on Management Fees	2	4	4	0
Interest on Revenue Balances	0	1	1	0
<b>TOTAL FUNDING</b>	<b>1878</b>	<b>2404</b>	<b>2348</b>	<b>56</b>
<b>AVAILABLE TO FUND PROJECT SPEND</b>	<b>1,153</b>	<b>0</b>	<b>438</b>	<b>(438)</b>

Unspent Commitments from 2019/20 included in expenditure lines above

Grants	0	334	334	0
Conference Support	0	2	2	0
City Promotions	0	3	3	0
	<b>0</b>	<b>339</b>	<b>339</b>	<b>0</b>

**APPENDIX 4  
MONITORING STATEMENT 2020/21  
INVERNESS COMMON GOOD FUND PROJECT SPEND  
FOR PERIOD ENDING DEC 2020**

	<b>ACTUAL YEAR TO DATE</b>	<b>ANNUAL BUDGET</b>	<b>ESTIMATED OUTTURN</b>	<b>ESTIMATED VARIANCE</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>PROJECT SPEND</b>				
Town House Refurbishment - Phase 3	488	1400	1000	(400)
Victorian Market - Shop Front Redesign	0	75	0	(75)
Cavell Gardens Improvement Works	0	5	5	0
Town House - Civic Floor	0	40	40	0
Whin Park Improvement Works	0	33	22	(11)
Victorian Market - Market Hall Improvements	33	1370	200	(1,170)
Compensation Payments - Victorian Market	67	110	76	(34)
<b>TOTAL</b>	<b>588</b>	<b>3033</b>	<b>1343</b>	<b>(1,690)</b>
<b>FUNDED BY:</b>				
<b>NET INCOME FROM CORE BUDGET (appendix 3)</b>	<b>1,153</b>	<b>0</b>	<b>438</b>	<b>(438)</b>
<b>BALANCE TO BE FUNDED BY RESERVES</b>	<b>565</b>	<b>(3,033)</b>	<b>905</b>	<b>(2,128)</b>

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**APPENDIX 5**  
**Events and Festivals Budget Monitoring**  
**For Period Ending Dec 2020**

	<b>ACTUAL</b>
	<b>YEAR TO DATE</b>
	<b>£</b>
<b>Income</b>	
Grants	-
Merchandise Income	-
Income	-
	<hr/>
	-
 <b>Expenditure</b>	
Entertainers	-
Equipment	3,449
Event Office	30,352
Council Staff	-
Marketing	290
Licences	-
Security and First Aid	- 37
Events Merchandise	4,694
	<hr/>
	38,748
 <b>Net Total</b>	
	<hr/> <hr/> <b>38,748</b>



## 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

#### 2.7 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 project has commenced on site date and the contract completion date is 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.