

Agenda Item	11
Report No	ERA-09-22

HIGHLAND COUNCIL

Committee: **Easter Ross Area Committee**

Date: 17 February 2022

Report Title: **Invergordon Common Good Fund – Annual Accounts, Quarter 3 monitoring report, 2022/23 Budget and Disposal Matters**

Report By: Executive Chief Officer, Resources and Finance Executive
Chief Officer, Community and Places

1. Purpose/Executive Summary

- 1.1 This report presents the Invergordon Common Good Fund audited accounts for 2020/21, the Quarter 3 monitoring for 2021/22 and a proposed budget for 2022/23. The report highlights main points regarding the accounts and the strategy in relation to the overall fund value. The report also considers issues and options around the disposal of assets.

2. Recommendations

2. Members are asked to:

- Note the Invergordon Common Good Fund Annual Report for 2020/22;
- Note the position of the Invergordon Common Good Fund, as shown in the 2021 Quarter 3 monitoring statement;
- Approve the proposed budget for 2022/23;

Members are asked to consider and agree one of the following two options:

- Option 1: To commence a statutory consultation to sell the Bouchardon Bust to repair the Town Hall. Said sale to be conditional on a robust business case OR
- Option 2: To recommend to Highland Council to dispose of Invergordon Town Hall by sale. This follows the concluded consultation regarding disposal and would include a requirement for approval from the Sheriff Court as it is an inalienable asset.

3. Implications

- 3.1 **Legal Implications:** any disposal of the Bouchardon Bust would require a public consultation be carried out within the legal framework of the Community Empowerment (Scotland) Act 2015. The appropriate consultation has been concluded in relation to the Town Hall but further progression to sale would require the approval of Highland Council followed by an application to the Sherriff Court as it is an inalienable asset.
- 3.2 **Resource Implications:** The annual accounts set out the financial position of the Invergordon Common Good Fund including its reserves. The report also sets out the quarter three monitoring and highlights predicated income and expenditure against the budget which is on target. Members are aware that limited funds mean that the condition of the Town Hall cannot be improved without other resources and that even if refurbishment could be funded by sale of the Bouchardon Bust or any other source, there is at present no business plan setting out how it could be run whilst covering all its costs.
- 3.3 **Community (Equality, Poverty and Rural) Implications** – should Members decide to dispose of the Bouchardon Bust a consultation would be required under the Community Empowerment (Scotland) Act 2015. The question of alienability may also be raised in which case Sheriff Court approval would also be required.
- 3.4 **Risk implications** – As noted previously to this committee, the Invergordon Town Hall requires significant refurbishment that cannot be accommodated within existing Common Good resources. It is for this reason that Members had previously agreed to consider disposing of the building via sale or long lease; a decision on the outcome of the public consultation on this proposal was deferred at the last Committee, pending consideration of the position regarding the Bouchardon bust. If the potential sale of the Bouchardon Bust is taken forward this would require a statutory consultation. The sale of this asset might also trigger a negative response from potential funders towards Highland Council applications more generally, if the Council is not viewed as a responsible custodian of heritage assets. There is also a risk that if funds are raised to restore the Town Hall without a business case for doing so, a restored building might remain under used and unable to cover ongoing costs such as energy bills,
- 3.5 **Climate Change and Gaelic**– no implications

4. Annual Report

- 4.1 Appendix 1 of this report shows the Income and Expenditure Account and Balance Sheet in respect of the Invergordon Common Good Fund (ICGF) for Financial Year 2020/21.
- 4.2 There was very little financial activity in relation to the Invergordon Common Good over the 2020/21 period. Overall there was a surplus on the account of £2,731 which was the largely the result an underspend on the property budget as no minor repairs were required. This has increased the usable reserves at 31 March 2021 to £79,781.

5. Quarter 3 Monitoring Statement

- 5.1 A monitoring statement showing transactions to the end of December 2021 against budget and estimated year end position is attached at **Appendix 2**.
- 5.2 Income - Invergordon Town Hall is rented to Highlife Highland at a rent of £3,500 for 2021/22 which has been received. A small amount of income in the form of interest on revenue balances is expected in the 4th quarter.
- 5.3 Expenditure There has been a charge for the Invergordon Common Good Fund's proportion of the costs of the Common Good Fund Officer. The property budget is set for minor essential repairs to the Town House and as yet, none have been required. An underspend of £2,000 is therefore anticipated against this budget which will result in a slightly increased final budget surplus.

6. Proposed Budget for 2022/23

- 6.1 A proposed budget for 2022/23 is set out in **Appendix 3** of the report for the Committee to consider.
- 6.2 Anticipated Revenue for 2022/23
The income to the ICGF comes from the rent charge for the town hall which stands at £3,500 per year.
- 6.2 Interest on Revenue Balances - Assuming that the current low interest rates continue, it is anticipated that interest receivable on projected surplus balances will remain at approximately £300.
- 6.3 Anticipated Expenditure
Staff Costs – A budget of £1,000 has been allocated for 2022/23 to meet Invergordon Common Good Fund's proportion of the Common Good Fund Officer costs.

Property Costs - there remains the potential for essential repairs to be required. It is therefore proposed that a budget of £2,000 be set to cover such costs.

Administration and Insurance costs – these are minimal and a roll forward budget of £100 is proposed to cover additional support costs in relation to quarterly monitoring information being provided by Finance.

Grants to the Community - given the limited level of income and the likely future funding requirements of the town hall building it is proposed that no grants be made in 2022/23 to protect reserves. This is in line with the principle that funds should be allocated to essential expenditure first.

7. **Invergordon Common Good property and other assets.**

7.1 At the November 2021 meeting of this Committee, Members, when considering the outcome of the second consultation regarding the potential disposal of the Town Hall, agreed to defer that decision for 6 months to allow investigation of possible alternative sources of funding. During that meeting reference was also made to the bust of landowner and MP Sir John Gordon, which had been sculpted by the French artist Edmé Bouchardon in 1728, which has an estimated valuation of around £1.4m. It was suggested that, given the bust is owned by the Common Good, the potential sale of the bust should be considered with proceeds being used to repair and maintain the Town Hall.

7.2 **Issues to Consider:**

Ability to Sell: It is competent to consider the sale of a Common Good asset, if it is considered to be in the interests of the wider fund and to the benefit of the wider community. However, a decision to dispose of a Common Good asset can only be taken following a consultation with the wider community under the terms of the Community Empowerment (Scotland) Act 2015. Following consultation, the decision to dispose would then sit with Highland Council with Sheriff Court approval then potentially required subject to the issue of inalienability.

The required Community Empowerment consultation has been undertaken in relation to the Town Hall. As Members are aware the most recent consultation received no response and therefore no objection to sale. To proceed, approval would be required from Highland Council, given the value of the fund, followed by Sheriff Court authority as this is an inalienable asset.

7.3 **Future Funding Implications:** Highland Council and Highlife Highland (HLH) Officers have met to explore the option of selling the Bouchardon bust to release fund which could potentially fund repairs to the Town Hall. including the wider implications of such a sale. Organisations such as the Museums Association regard the sale of assets differently depending on the context, such as the reason for sale and the intended use of funds raised as a result of such a sale. Depending on the circumstances sales may be regarded as either ethical or unethical.

If a sale is regarded as unethical this could result in some significant heritage funders not supporting funding to the organisation as a whole. This could have significant implications for the wider Highland Council. Therefore, if Members wish to carry out consultation on disposal, and following that wish to pursue sale of the bust, it would be important to consider if/how sale would support the long-term local and general public interest and how it might impact on future funding from a range of organisations. That is not to say that all sales result in such issues – for example a robust investment and development plan setting out the benefits of any sale, how the funding could be used and what the long term community benefits would be could result on a positive view of the sale as ethical. It should be noted that the Bouchardon bust is not accessioned into the Museum's Collections that HLH manages on HC's behalf and therefore, it is not subject to the terms of the Collections Policy and responsibility for the bust, as part of the Common Good, sits with Highland Council.

7.4 **Long Term Future and Use of the Town Hall:** Another factor for Members to consider would be the long-term future of the Town Hall even if refurbished. If refurbished the building would undoubtedly be more efficient, better insulated and cheaper to run and probably more versatile and attractive to potential users. However, it would still need to generate sufficient income to cover its costs and ongoing maintenance. Currently, although the Common Good receives an annual rent from Highlife Highland, the Council pays the energy costs and Highlife Highland absorb the staff and cleaning costs for the building. It is also notable that the Invergordon Development Trust, despite great enthusiasm and local support, was not able to develop a robust business case.

8. Next Steps.

8.1 The last meeting of this committee requested information on the viability of selling the bust to fund the repair of the Town Hall. At this point, Members need to consider whether they wish to proceed with the work required to inform any decision to sell the bust or, in light of the implications highlighted in the report, whether to proceed with the sale of the Town Hall.

8.2 Members are asked to consider two potential options for moving forward:

- Option 1: To commence a statutory consultation to sell the Bouchardon Bust to repair the Town Hall. Said sale to be conditional on a robust business case. The findings of this consultation could support Members to consider the next steps, including the potential reaction of external funders.

OR

- Option 2: To recommend to Highland Council to dispose of Invergordon Town Hall by sale. This follows the concluded consultation regarding disposal and would include a requirement for approval from the Sheriff Court as it is an inalienable asset.

Designation: Liz Denovan, ECO, Finance and Resources
Allan Gunn, ECO, Community & Places

Date: 8 February 2022

Authors: Helen Ross, Senior Ward Manager, CSER
Lara Harrison, Accountant

Appendix 1

STATEMENT OF ACCOUNTS 2020-21

Invergordon Common Good Fund

Income and Expenditure Account

	2020/21 £	2019/20 £
<u>Expenditure</u>		
Property costs	-	1,500
Administration charges	70	69
Staff Costs	1,235	701
Other costs	-	55
Total expenditure	1,305	2,325
 <u>Income</u>		
Rents	3,500	4,250
Interest and investment income	536	705
Total income	4,036	4,955
Surplus/(deficit) for the year	2,731	2,630
Revaluation gains/(losses)	-	1,446,001
Total comprehensive income and expenditure	2,731	1,448,631

Balance Sheet

	31/03/2021 £	31/03/2020 £
<u>Non current assets</u>		
Investment properties	1	1
Heritage assets	1,585,000	1,585,000
	1,585,001	1,585,001
<u>Current assets</u>		
Loans fund deposits	79,781	77,050
Total assets	1,664,782	1,662,051
 Usable reserves		
Revenue funds	79,781	77,050
 Unusable reserves		
Revaluation reserve	1,585,000	1,585,000
Capital adjustment account	1	1
	1,585,001	1,585,001
Total reserves	1,664,782	1,662,051

Appendix 2

Invergordon Common Good - Quarterly Monitoring Period to Dec 2122

	Actual to date £	Budget £	Estimated Outturn
Income			
Rents	3,500	3,500	3,500
Interest and investment income	0	300	300
Total Income	<u>3,500</u>	<u>3,800</u>	<u>3,800</u>
Expenditure			
Staff Costs	626	1,100	1,100
Property costs	62	2,000	2,000
Central Support	0	100	100
Total Expenditure	<u>688</u>	<u>3,200</u>	<u>3,200</u>
Income less Expenditure	<u><u>2,812</u></u>	<u><u>600</u></u>	<u><u>600</u></u>
Audited Usable Reserves 2020/21			£79,781
Estimated year end reserves 2021/22			£80,381

**INVERGORDON COMMON GOOD FUND
DRAFT BUDGET 2022/23**

	Draft Budget 2022/23 £
<u>Income</u>	
Rents	3,500
Interest and investment income	300
Total income	<u>3,800</u>
 <u>Expenditure</u>	
Staff Costs	1,100
Property Costs	2,000
Administration charges	100
Total expenditure	<u>3,200</u>
 Surplus/(deficit) for the year	 <u><u>600</u></u>
 Anticipated reserves year end 2021/22	 £80,381
Forecast year end reserves 2022/23	£80,981