

Agenda Item	<b>7</b>
Report No	<b>NC/05/22</b>

## HIGHLAND COUNCIL

**Committee:** Nairnshire Committee

**Date:** 1 March 2022

**Report Title:** Nairn Common Good Fund – Audited Accounts 2020/21, 2021/22 Quarter 3 Monitoring and General Update, 2022/23 Budget

**Report By:** Executive Chief Officer Resources and Finance and Interim Executive Chief Officer Communities and Place

### **1 Purpose/Executive Summary**

- 1.1 This report presents the Audited Statement of Accounts for 2020/21 for Nairn Common Good Fund (NCGF/the “Fund”). An overall revenue surplus of £147k was achieved (before revaluation gains). This was used to fund expenditure on projects (mainly the splashpad) with the balance of the surplus for the year being added to reserves.
- 1.2 This report also presents the expenditure monitoring position for the Fund Good Fund as at 31 December 2020 (Q3) and the projected year end position for 2021/22.
- 1.3 It further sets out the proposed revenue budget for the Fund for the financial year 2022/2023.

### **2 Recommendations**

- 2.1 Members are asked to:
- Consider and agree the Nairn Common Good Fund Statement of Accounts for 2020/21 (**Appendix 1**) and the final 21/22 Monitoring Statement (**Appendix 2**);
  - Consider and discuss the position of the Nairn Common Good Fund and 2021/22 outturn as shown in the Quarter 3 monitoring statement against budget (**Appendix 3**); and
  - Agree the Nairn Common Good Fund budget for 2022/23 detailed within the report (**Appendix 4**).
  - As part of the 2022/23 budget, agree a delegated property maintenance budget with an expenditure authority level of £300.

### 3. Implications

3.1 **Resource** – Financial implications are as outlined in this report and, as previously reported to this Committee, expenditure continues to be kept to a minimum to give the NCGF the best opportunity to build reserves for future projects for protection or development of NCGF Assets. As noted previously to this committee, work is required to develop an approach to income generation to ensure a source of revenue for development and replacement of assets such as set out below:

- Demolition & removal of Links Store
- Links Development projects
- Harbour Street Toilets
- Splashpad operational and maintenance costs
- Nairn Riverside Play Area

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.

3.3 **Community (Equality, Poverty and Rural)** – There are no specific implications associated with this report however, any proposed change of use of Common Good assets falling within the requirements of Community Empowerment legislation or regulations, will be subject to community consultation.

3.4 **Risk** – None

3.5 **Gaelic and Climate Change** – None

### 4. Audited Statement of Accounts

4.1 **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 2020/21 and detail on the movement on these accounts is noted in 4.2 – 4.5 below.

4.2 **Appendix 2** sets out the 2020/21 final monitoring, including a reconciliation to the audited Income and Expenditure Account.

4.3 The largest area of expenditure for the fund in 2020/21 was in the creation of the splashpad at the Links. The value of this investment of over £200k (total cost of £215k less depreciation of £14k) has created a new asset for the fund, that can be seen on the property, plant and equipment line of the balance sheet at **Appendix 1**. Funding for the project in 20/21 came from the fund's annual surplus, including a £110k grant from Team Hamish.

#### 4.4 Expenditure

4.4.1 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.

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

- 4.4.3 Depreciation relates to the splashpad whereby the costs of the assets are being written down over a period of years.
- 4.4.4 Other costs mainly comprise the cost of benches, which were 100% funded by grants and contributions (see Income below) as well as investment management fees.

#### 4.5 **Income**

- 4.5.1 The principal income for the NCGF comes mainly from rents (e.g. Lochloy Caravan Park) and lettings (shown under Rents in the Statement of Accounts) from short term lettings for the Nairn Links for the stalls, hospitality tent and Showmen's Guild letting at the Nairn Games, plus any small ad hoc lettings for e.g. the Bandstand.
- 4.5.2 Income from lettings in 2020/21 was nil due to the impact of COVID-19.
- 4.5.3 Interest and investment income shows a modest amount which is the interest on cash balances held with the Councils Loans Fund plus income from investments held with Adam & Co.

As in previous years, income from the investment portfolio has been re-invested.

- 4.5.4 Realised losses of £9.7k were incurred in the year as a result of trading actions taken by Adam & Co.
- 4.5.5 Capital grants and contributions of £110k relate to monies received from Team Hamish for the splashpad. Revenue grants and contributions are for benches, also separately funded by Team Hamish.

#### 4.6 **Other Comprehensive Income**

- 4.6.1 Following the year-end valuation process, a revaluation gain of £851k has been recognised in terms of the main investment properties held by the fund, namely Sandown land. 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 and property, plant and equipment (splashpad).
- 4.6.2 Revaluation gains of £105k were also recorded on the investments held with Adam & Co.

#### 4.7 **Balance Sheet**

- 4.7.2 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.
- 4.7.2 Unusable Reserves – The revaluation reserve represents the value held in terms of the Heritage assets of the fund, which for the NCGF is the Provost's Chain.
- 4.7.3 The capital adjustment account represents the value of the investment properties and property, plant & equipment. The movement in the year in this reserve is the result of gain on revaluation of investment properties along with the value of the property, plant and equipment, net of the depreciation charged in the year.

4.7.4 The value of the investment portfolio (£575k) along with that of debtors, loans fund deposits (£109k) and creditors are held in Revenue Funds (£682k). This is the Usable Reserve and represents actual funds available.

## 5. 2021/22 Quarter 3 Monitoring Statement

5.1 A monitoring statement showing transactions against budget to the end of December 2021 is attached at **Appendix 3**.

5.2 **Income** –The income received to date relates principally to property rentals, which are anticipated to be on target. However, lettings have an anticipated deficit of £12,100. This is due to the cancellation of the Nairn Highland Games as a result of COVID-19, where annual income is usually received from stalls and tendering for the provision of a hospitality tent, but also the annual let of the Links by the Showmen’s Guild.

Miscellaneous income reported mainly comprises car parking income from the new invitation to pay meters installed in the year. Income for this was not included in the Budget for 2020/21.

Overall, income is estimated to be £1,625 lower than budget.

5.3 **Expenditure** – expenditure is forecast to come in on budget.

Property costs reported for the year to date reflect the Highlife Highland management fee for the Leisure Park & Paddling Pool/Splash Pad and maintenance costs for the Splashpad and Links area. 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.

Under property maintenance, spend is reflected for grass cutting and grounds maintenance, the Highlife Highland management fee for the Leisure Park and Paddling Pool/Splash Pad, replacement equipment and for maintenance works carried out across the Links and repairs as well as remedial works to Common Good assets. Central Support expenditure listed relates to the Common Good fund Officer’s costs.

5.4 The Committee are invited to homologate the following expenditure:

- Splash Pad - Fix plaque to outside of plant room £56.00
- Harbour Street PC - Roof repairs £204

5.5 A contribution of £16,646 has been agreed to be made from the Council during 21/22 in respect of internal project management costs relating to the Splashpad. These project costs were primarily incurred during 19/20 and 20/21. This figure is not included in the actual to date figures in **Appendix 3**, but is showing in the estimated outturn figures. The payment is in progress and will feature in the next estimated outturn report to Committee.

5.6 **Annual Surplus** – The approved budget for the year was planned to generate a surplus of £47,375 of income against expenditure. With the expected decrease in revenue as noted in 5.2 above, the overall surplus is now anticipated to be £45,750.

The estimated outturn for Project costs is on budget at £15k. With the contribution from the Council described at 5.5 above, there will be a net project surplus for the year of £1,646, which will be added to reserves in addition to the £45,750 revenue surplus.

## 6 Proposed 2022/23 Budget

6.1 **2022/23 Budget** – The draft budget for 2022/23 is set out in **Appendix 4**. In accordance with Council policy, wherever practicable, no inflationary increase has been applied to budget heads.

6.2 **Available funds** – This budget plans for the expenditure of revenue which will be received in 2022/23. If income and expenditure are set at levels proposed in **Appendix 4**, and if no unforeseen spend is encountered, the NCGF should provide a surplus (after project spend) of £27,375.

### 6.3 Anticipated Revenue

6.4 **Rental income** – The total rental income from rentals expected to be available from Common Good Assets in 2022/23 is £121,800.

6.5 **Lettings Income** – Lettings income relates largely to the Nairn Games and is dependent on the income from stalls, the successful tendering for provision of a hospitality tent and the annual let of the Links by the Showmen's Guild. A small level of income is also derived from the letting of the Bandstand, and from areas of the Links let largely for sporting events; a budget of £12,500 is projected for 2022/23.

Although it has been included in the budget, it should be noted that this is mainly dependent upon the Nairn Games taking place in 2022 and this has not yet been confirmed.

6.6 **Car parking income** – Income of £8,322 has been generated from the introduction of the invitation to pay scheme on NCGF car parks in 2021/22 for the partial year this was in operation. A budget income of £12,000 is projected for 2022/23.

6.7 **Miscellaneous Income** – This is usually generated in the form of income for wayleaves, principally from SSE. This has been minimal for 2021/22 and a budget of £125 is projected for 2022/23.

### 6.8 Expenditure Budget

6.9 **Property Costs** – a budget of £69,000 is proposed. This includes the annual charge from the Council for grounds maintenance for Common Good, the management fee for Highlife Highland for the seasonal management of the Splash Pad and year-round overseeing of the Links and Leisure Park. This includes provision for the replacement of, for example, the beach life belts which are prone to vandalism and theft. It also makes provision and builds in contingency for ongoing repairs and remedial works to Common Good assets, including the Links and Riverside areas.

6.10 **Electricity and Water Charges** – A budget of £2,000 is proposed for electricity charges in line with charges received in 2021/22 on NCGF properties as a number of assets had not been able to be utilised to normal capacity in 2020/21, and a budget of £700 for water charges on a similar basis.

6.11 **Rent, Rates and Insurance** – A budget of £3,600 is proposed for the River Fishing Licence Fees and for necessary insurance cover.

6.12 **Central Support Charges** – A budget of £10,500 is proposed in respect of Corporate Resources officer support for Finance, Administration and Property services for the NCGF and includes a proportion of the costs of the Common Good Funds Officer post.

It should be noted that this could vary to reflect the actual levels of Highland Council officer support provided to the fund in the year ahead. Any variations will be reported through the Quarterly Monitoring Report.

6.13 **Legal Expenses** – A budget of £1,000 is proposed to cover legal costs associated with work ongoing on the NCGF.

6.14 **Project Costs** – A budget line of £15,000 is proposed to be allocated to provide for support of possible progression of the Development Plan for the Links. In addition, a budget line of £12,000 is included in respect of play park improvements at the NCGF Playpark at Riverside and also a £5,000 budget provision for the demolition and removal of the former Links store.

6.15 **Delegated NCGF property/facility budget** – It is proposed that delegated authority is granted to the Nairnshire Ward Manager in respect of items of NCGF expenditure valuing £300 or under.

Designations: Executive Chief Officer Resources and Finance,  
Interim Executive Chief Officer Communities and Place

Date: 11 February 2022

Author: Lewis Hannah, Nairnshire Ward Manager  
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Appendix 1: Nairn Audited Accounts 2020/21

Appendix 2: Final Monitoring Statement 2020/21

Appendix 3: Quarter 3 Monitoring Statement 2021/22

Appendix 4: Budget 2022/23

**APPENDIX 1**

**AUDITED STATEMENT OF ACCOUNTS 2020-21**

**Nairn Common Good Fund**

**Income and Expenditure Account**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>
<u>Expenditure</u>		
Property maintenance	49,146	56,618
Rent, rates and insurance	3,248	3,248
Legal expenses	-	798
Administration charges	960	950
Staff Costs	13,201	23,973
Depreciation	14,349	-
Other Costs	9,650	-
Total expenditure	<u>90,554</u>	<u>85,587</u>
<u>Income</u>		
Rents	120,185	121,218
Miscellaneous income	85	754
Interest and investment income	10,942	16,581
Realised losses on sale of investments	(9,666)	(3,730)
Capital grants and contributions	110,000	-
Grants and contributions	5,728	-
Total income	<u>237,274</u>	<u>134,823</u>
<b>Surplus for the year</b>	<b><u>146,720</u></b>	<b><u>49,236</u></b>
Revaluation gains/(losses) - investment properties	850,589	(100,000)
Revaluation gains/(losses) - investments	105,039	(54,530)
Realised losses recycled through CIES	9,666	3,730
Total comprehensive income and expenditure	<b><u>1,112,014</u></b>	<b><u>(101,564)</u></b>

**Balance Sheet**

	<b>31/03/2021</b>	<b>31/03/2020</b>
	<b>£</b>	<b>£</b>
<u>Non current assets</u>		
Investment properties	8,295,589	7,445,000
Heritage assets	60,000	60,000
Investments at valuation	575,466	462,810
Property, plant and equipment	200,882	-
	<u>9,131,937</u>	<u>7,967,810</u>
<u>Current assets</u>		
Loans fund deposits	108,571	160,095
Sundry Debtors	157	(42)
	<u>108,728</u>	<u>160,053</u>
<u>Current liabilities</u>		
Sundry creditors	(2,333)	(1,545)
	<u>(2,333)</u>	<u>(1,545)</u>
<b>Total assets</b>	<b><u>9,238,332</u></b>	<b><u>8,126,318</u></b>
<b>Usable reserves</b>		
Revenue funds	681,861	621,318
<b>Unusable reserves</b>		
Revaluation reserve	60,000	60,000
Capital adjustment account	8,496,471	7,445,000
	<u>8,556,471</u>	<u>7,505,000</u>
<b>Total reserves</b>	<b><u>9,238,332</u></b>	<b><u>8,126,318</u></b>

Nairn Common Good - Quarterly Monitoring  
Period to Mar 2021

APPENDIX 2

	Actual £	Annual Budget £	VARIANCE	
			£	%
<b>INCOME</b>				
Rents	120,185	108,000	12,185	11.3%
Lettings	-	12,500	(12,500)	-100.0%
Miscellaneous Income	85	125	(40)	-32.1%
Investment Income	10,942	-	10,942	0.0%
<b>TOTAL INCOME</b>	<b>131,212</b>	<b>120,625</b>	<b>10,587</b>	<b>8.8%</b>
<b>EXPENDITURE</b>				
Property Costs	52,896	67,000	(14,104)	-21.1%
Electricity	452	2,000	(1,548)	-77.4%
Water charges	329	700	(371)	-52.9%
Rents, Rates and Insurance	3,248	3,600	(352)	-9.8%
Central support	14,161	12,500	1,661	13.3%
Advertising	-	250	(250)	-100.0%
Legal Expenses	(610)	1,000	(1,610)	-161.0%
<b>TOTAL EXPENDITURE</b>	<b>70,477</b>	<b>87,050</b>	<b>(16,573)</b>	<b>-19.0%</b>
<b>Income less Expenditure</b>	<b>60,735</b>	<b>33,575</b>	<b>27,160</b>	<b>80.9%</b>

**Reconciliation to Income and Expenditure (I&E) Account (Appendix 1):**

Net income per above	60,735
Depreciation not in Monitoring	(14,349)
Capital grants incl in income in audited accounts	110,000
Realised loss on sale of investments per I&E Account (not in Monitoring)	(9,666)
<b>Surplus for the year per Audited Accounts</b>	<b>146,720</b>

	Actual £	Annual Budget £	VARIANCE	
			£	%
<b>PROJECTS</b>				
<b>INCOME</b>				
Contribution - Links Team Hamish	110,000	110,000	-	0.0%
Contribution - Links HQ Project Management	-	25,000	(25,000)	-100.0%
	<b>110,000</b>	<b>135,000</b>	<b>(25,000)</b>	<b>-18.5%</b>
<b>EXPENDITURE</b>				
Project Costs NCGF	780	15,000	(14,220)	-94.8%
Project Costs HC	6,188	25,000	(18,812)	-75.2%
Splash pad	208,262	210,000	(1,738)	-0.8%
	<b>215,231</b>	<b>250,000</b>	<b>(34,769)</b>	<b>-13.9%</b>
<b>Income less Expenditure</b>	<b>(105,231)</b>	<b>(115,000)</b>	<b>9,769</b>	<b>-8.5%</b>
Funds available for Project Spend	60,735	33,575	<b>27,160</b>	<b>80.9%</b>
<b>Project spend to be funded by reserves</b>	<b>(44,496)</b>	<b>(81,425)</b>	<b>36,929</b>	<b>-45.4%</b>

**Nairn Common Good - Quarterly Monitoring  
Period to Dec 2021**

**APPENDIX 3**

	<b>Actual to date £</b>	<b>Annual Budget £</b>	<b>Estimated Outturn £</b>	<b>Variance £</b>
<b>INCOME</b>				
Rents	98,811	121,800	121,800	-
Lettings	389	12,500	400	(12,100)
Miscellaneous Income	10,413	125	10,600	10,475
<b>TOTAL INCOME</b>	<b>109,613</b>	<b>134,425</b>	<b>132,800</b>	<b>(1,625)</b>
<b>EXPENDITURE</b>				
Property Costs	56,641	69,000	69,000	-
Electricity	835	2,000	2,000	-
Water charges	120	700	700	-
Rents, Rates and Insurance	38	3,600	3,600	-
Central support	7,428	10,500	10,500	-
Advertising	-	250	250	-
Legal Expenses	-	1,000	1,000	-
<b>TOTAL EXPENDITURE</b>	<b>65,062</b>	<b>87,050</b>	<b>87,050</b>	<b>-</b>
<b>Income less Expenditure</b>	<b>44,551</b>	<b>47,375</b>	<b>45,750</b>	<b>(1,625)</b>
<b>PROJECTS</b>				
<b>INCOME</b>				
Contribution from HC for internal project management costs (splashpad)	-	-	16,646	16,646
<b>EXPENDITURE</b>				
Project Costs NCGF	6,423	15,000	15,000	-
	<b>6,423</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>
	(6,423)	(15,000)	1,646	16,646
<b>Surplus after projects</b>	<b>38,128</b>	<b>32,375</b>	<b>47,396</b>	<b>15,021</b>
Audited Usable Reserves for 2020/21			£681,861	
Estimated year end reserves 2021/22 before movement in investments			£729,257	
Movement in investments to Dec-2021			£53,306	
Estimated year end reserves 2021/22 after movement in investments *			£782,563	

\* does not take into account any potential movement in value of investments over remainder of the year

**Appendix 4  
Nairn Common Good Fund  
Budget 2022/23**

	<b>Draft Budget 2022/23 £</b>
<b>INCOME</b>	
Rents	121,800
Lettings	12,500
Miscellaneous Income	12,125
<b>TOTAL INCOME</b>	<u>146,425</u>
<b>EXPENDITURE</b>	
Property maintenance	69,000
Electricity	2,000
Water charges	700
Rents, Rates and Insurance	3,600
Central support	10,500
Advertising	250
Legal Expenses	1,000
<b>TOTAL EXPENDITURE</b>	<u>87,050</u>
<b>Income less Expenditure before Projects</b>	<u><b>59,375</b></u>
<b>PROJECTS</b>	
Project Costs NCGF	15,000
NCGF Playparks	12,000
Demolition & removal of Links Store	5,000
	<u>32,000</u>
<b>FUNDS AVAILABLE/(REQUIRED) AFTER PROJECT SPEND</b>	<u><b>27,375</b></u>
<b>Expected usable reserves 21/22 *</b>	<b>782,563</b>
(2223 expenses/projects to be funded by reserves)/	
Surplus to be added to reserves	<u>27,375</u>
<b>Expected usable reserves 22/23 **</b>	<u><b>809,938</b></u>

\* based on movements on investments to December 2021 i.e. does not take into account any potential movement in the value of investments over the remainder of the year to 31.3.22

\*\* does not take into account any movement in the value of the investment portfolio over financial year 2022/23