

| | |
|-------------|----------|
| Agenda Item | 7 |
| Report No | NC/05/23 |

HIGHLAND COUNCIL

Committee: Nairnshire Committee

Date: 23 January 2023

Report Title: Nairn Common Good Fund – 2021/22 Audited Accounts and End of Year Monitoring, 2022/23 Quarter 3 Monitoring and General Update, Proposed Budget 2023/24

Report By: Executive Chief Officer Communities and Place
Head of Corporate Resources

1. Purpose/Executive Summary

- 1.1 This report presents the Audited Statement of Accounts for 2021/22 for Nairn Common Good Fund (NCGF/the “Fund”). An overall revenue surplus of £65k was achieved (before revaluation gains and other year-end accounting adjustments). The adjusted surplus of £61k has been added to reserves.
- 1.2 This report also presents the expenditure monitoring position for the Common Good Fund as at 31 December 2022 (Q3) and the projected year end position for 2022/23.
- 1.3 The report further sets out the proposed revenue budget for the Fund for the financial year 2023/2024.

2. Recommendations

- 2.1 Members are asked to:
- Consider and agree the Nairn Common Good Fund Statement of Accounts for 2021/22 (**Appendix 1a**) and the final 21/22 Monitoring Statement (**Appendix 1b**);
 - Consider and discuss the position of the Nairn Common Good Fund and 2022/23 outturn as shown in the Quarter 3 monitoring statement against budget (**Appendix 2a and 2b**); and
 - As part of the 2023/24 budget:
 - 1.) agree to the creation of a new part time Nairn Common Good Fund Officer post to support the development of the Fund and its associated project work.
 - 2.) agree to the addition of a Common Good Events budget line of £10k.
 - Agree the Nairn Common Good Fund budget for 2023/24 detailed within the report (**Appendix 3**).

3. Implications

3.1 **Resource** – Financial implications are as outlined in this report. Utilising the Fund's increased capacity in reserves, proposed expenditure for 2023/24 is increased to develop, replace and protect NCGF assets such as those set out below:

- Links Development projects
- Harbour Street & Maggot areas

As noted previously to this committee, ongoing work is required to develop an approach to income generation and development of the NCGF asset portfolio to ensure a source of revenue. This also continues to be a focus as set out in this report.

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** – Increased project cost expenditure in 2023/24 as detailed in the proposed budget does present a risk in respect of Fund's ability for growth.

3.5 **Gaelic and Climate Change** – None

4. 2021/22 Audited Statement of Accounts

4.1 **Appendix 1a** 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 2021/22 and detail on the movement on these accounts is noted in 4.2 – 4.5 below.

4.2 Expenditure

4.2.1 The main area of expenditure related to Property maintenance costs which comprised 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 in respect of the Splashpad. Also included are costs for electricity and water for the Links.

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

4.2.3 Depreciation relates to the Splashpad whereby the costs of the assets are being written down over a period of years.

4.2.4 Other costs mainly comprised the cost of benches, which were 100% funded by grants and contributions (see Income below) as well as investment management fees.

4.3 Income

- 4.3.1 The principal income for the NCGF came mainly from rents (e.g. Lochloy Caravan Park) and lettings (shown under Rents in the Statement of Accounts) from short term lets for the Nairn Links for the stalls, hospitality tent and Showmen's Guild lets at the Nairn Games, plus small ad hoc lets for e.g. the Bandstand.
- 4.3.2 Income from lettings in 2020/21 was £389 and is normally significantly higher due to income in respect of general property rentals, short term pitch lets at the Links and the income from the Nairn Games arising from the annual letting to the Showmens' Guild and the provision of a hospitality tent. This income was less than budgeted due to the impact of the COVID 19 restrictions on public events and pitch lettings at the Nairn Links in 2020/21.
- 4.3.3 Interest and investment income shows a modest amount which is the interest on cash balances held with the Council's Loans Fund plus income from investments held with Adam & Co.

As in previous years, income from the investment portfolio has been re-invested.
- 4.3.4 Miscellaneous income was primarily income from invitation pay car parking.
- 4.3.5 Realised losses of £2.7k were incurred in the year as a result of trading actions taken by Adam & Co.

4.4 **Other Comprehensive Income**

- 4.4.1 Following the year-end valuation process, a revaluation gain of £4.5k 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).
- 4.4.2 Revaluation gains of £956 were also recorded on the investments held with Adam & Co.

4.5 **Balance Sheet**

- 4.5.1 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.
- 4.5.2 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.
- 4.5.3 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 gains on revaluation of investment properties along with the value of the property, plant and equipment, net of the depreciation charged in the year.
- 4.5.4 The value of the investment portfolio (£588k) along with that of debtors, loans fund deposits (£160k) and creditors are held in Revenue Funds (£85). This is the Usable Reserve and represents actual funds available.

4.6 **2021/22 Final Monitoring Statement**

4.6.1 **Appendix 1b** sets out the 2021/22 final monitoring, which shows the Revenue results for the year against Budget (whereas Appendix 1a shows prior year comparatives), including a reconciliation to the audited Income and Expenditure Account.

5. **2022/23 Quarter 3 Monitoring Statement**

5.1 A monitoring statement showing transactions against budget to the end of December 2022 is attached at **Appendix 2a**; **Appendix 2b** shows the anticipated impact on reserves resulting from the estimated outturn presented in the Q3 Monitoring.

5.2 **Income**

The income received to date relates principally to property rentals, which are anticipated to be £12k higher than Budget by year end due to lease amendments.

As reported at the previous committee meeting, lettings income mainly relates to the Nairn Highland Games where actual income received was higher than anticipated.

Miscellaneous income reported mainly comprises of car parking income from the invitation to pay meters. Also, as previously reported, the budget assumed receipt of 50% of the income, but 100% of the income is to be received by the Fund.

Overall, income is estimated to be £45k higher than budget.

5.3 **Expenditure**

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. Charges for electricity and water are for the Pavilion and Links area and include charges to Nov-22. 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 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. The outturn for the year has been increased by £9.2k to reflect the additional charges for the Common Good Fund Officer due to the amount of work relating to common good fund statutory consultations and leases during 2022/23, particularly related to the Sandown consultation.

Expenditure is forecast to be £17k higher than budget. This is due to costs not budgeted in relation to special grants awarded for Nairn Book & Arts Festival (£2k) and Christmas lights (£3k) and £3k of car parking charges (transaction and equipment costs).

5.4 **Project expenditure** – No expenditure has been incurred to date, but is still expected that spend for the year will come in on Budget.

5.6 **Annual Surplus** – The approved budget for the year was planned to generate a surplus (before project spend) of £59,375 of income against expenditure. With the expected increase in revenue and expenses noted above, the surplus is now anticipated to be £87,255.

The estimated outturn for Project costs is on budget at £32k, which will be deducted from the revenue surplus noted above. The resultant £55k will be added to reserves.

5.6 **Nairn Common Good Fund Investments**

The Council has delegated power to manage investments by NCGF to the Investment Sub-Committee, which reports to the Pensions Committee. The Nairn Area Committee has power to administer the Revenue income of the NCGF and Projects.

The report for the quarter to 31 December 2022 is not available at the time of writing. Therefore, as previously reported, Officers are able to confirm that the value of the fund decreased by 2.5% over the quarter ending 30.09.22, in comparison to a benchmark fall over the quarter of 4.6%. On a year-to-date basis, the Fund has fallen 16.6% in contrast to the benchmark fall of 11.7%. The value of the investments at end of September 2022 was £0.524m. The value of the investments is subject to constant change based on the market conditions (see **Appendix 2b**).

6. **Proposed 2023/24 Budget**

6.1 **2023/24 Budget** – The proposed budget for 2023/24 is set out in **Appendix 3**. 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 2023/24. If income and expenditure are set at levels proposed in **Appendix 3**, and if no unforeseen spend is encountered, the NCGF should provide a surplus (after project spend) of £6,564.

6.3 **Anticipated Revenue**

6.3.1 **Rental income** – The total rental income from rentals expected to be available from Common Good Assets in 2023/24 is £134,489.

6.3.2 **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 2023/24.

6.3.3 **Car parking income** – Income of £23,380 has been generated from the invitation to pay scheme on NCGF car parks in the period from April to December 2022. A budget income of £24,000 is projected for 2023/24.

6.3.4 **Miscellaneous Income** – This is usually generated in the form of income for wayleaves, principally from SSE. This has been minimal for 2022/23 and a budget of £125 is projected for 2023/24.

6.4 **Expenditure Budget**

6.4.1 **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.

- 6.4.2 **Electricity and Water Charges** – A budget of £2,000 is proposed for electricity charges in line with charges received in 2022/23 on NCGF properties, and a budget of £700 for water charges on a similar basis.
- 6.4.3 **Rent, Rates and Insurance** – A budget of £3,600 is proposed for the River Fishing Licence Fees and for necessary insurance cover.
- 6.4.4 **Nairnshire Events** - As agreed at the August 2022 Committee the budget contains a proposed budget line of £10,000 to be used to support Nairnshire events. It is proposed that any intended use of this budget line will be discussed with Members at Area Business Meetings with expenditure thereafter being approved by the Ward Manger in line with existing delegated authority as per the Scheme of Delegation.
- 6.4.5 **Staff costs** - Nairn Common Good Fund Development Officer. The budget also includes provision for a part time 17.5 hour per week Common Good Fund Development Officer to support the development of the Fund and its associated project work.

This post will support the delivery of Nairn Common Good Fund projects to meet agreed objectives and targets and will support the Ward Manager and local Members with the overall programme management delivery. The post will support and advise individual projects and the post will have a specific focus on current NCGF priorities:

- NCGF Engagement Group
- Links Development Plan
- Harbour Street & Maggot Area
- Viewfield House & Stables
- Nairn NCGF Events
- Preparation of NCGF Reports

It is anticipated that the post will become cost neutral through increased revenue generation arising from events, lettings and development of NCGF asset portfolio.

A budget line of £22k is required for this proposed 2-year fixed term post. Following that fixed term period the post will be reviewed and a report brought back to this Committee for consideration.

- 6.4.6 **Central Support Charges** – A budget of £10,000 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 will 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.

- 6.4.7 **Car parking costs** – as for 2022/23, the costs of running the invitation to pay car parking have been budgeted at £3,000.
- 6.4.8 **Legal Expenses** – A budget of £1,000 is proposed to cover legal costs associated with work ongoing on the NCGF.
- 6.4.9 **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.

6.4.10 **Sandown Lands Community Food Growing Feasibility Study** – As agreed at the November Committee, a budget line of £18,000 has been included in respect of the commissioning of a feasibility study into Community Food Growing and Green Energy projects at the Sandown Lands.

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

Date: 10 January 2023

Author: Lewis Hannah, Nairnshire Ward Manager
Lara Harrison, Accountant

Appendix 1a: 2021/22 Audited Accounts

Appendix 1b: 2021/22 Final Monitoring Statement

Appendix 2a: 2022/23 Quarter 3 Monitoring Statement

Appendix 2b: 2022/23 Quarter 3 Reserves and Investments

Appendix 3: 2023/24 Budget

STATEMENT OF ACCOUNTS 2021-22
Nairn Common Good Fund

Income and Expenditure Account
Year ended 31 March

| | 2021/22 | 2020/21 |
|--|----------------------|-------------------------|
| | £ | £ |
| <u>Expenditure</u> | | |
| Property maintenance | 50,755 | 49,146 |
| Rent, rates and insurance | - | 3,248 |
| Administration charges | 980 | 960 |
| Staff costs | 20,174 | 13,201 |
| Depreciation | 14,703 | 14,349 |
| Other costs | 5,785 | 9,650 |
| Total expenditure | <u>92,397</u> | <u>90,554</u> |
| <u>Income</u> | | |
| Rents | 121,990 | 120,185 |
| Miscellaneous income | 11,281 | 85 |
| Interest and investment income | 14,373 | 10,942 |
| Realised losses on sale of investments | (2,660) | (9,666) |
| Capital grants and contributions | - | 110,000 |
| Grants and contributions | - | 5,728 |
| Total income | <u>144,984</u> | <u>237,274</u> |
| Surplus for the year | 52,587 | 146,720 |
| Revaluation gains/(losses) - investment properties | 4,500 | 850,589 |
| Revaluation gains/(losses) - investments | 956 | 105,039 |
| Realised losses recycled through CIES | 2,660 | 9,666 |
| Total comprehensive income and expenditure | <u>60,703</u> | <u>1,112,014</u> |

Balance Sheet
As at

| | 31/03/2022 | 31/03/2021 |
|-------------------------------|-------------------------|-------------------------|
| | £ | £ |
| <u>Non current assets</u> | | |
| Investment properties | 8,300,089 | 8,295,589 |
| Heritage assets | 60,000 | 60,000 |
| Investments at valuation | 587,602 | 575,466 |
| Property, plant and equipment | 191,493 | 200,882 |
| | <u>9,139,184</u> | <u>9,131,937</u> |
| <u>Current assets</u> | | |
| Loans fund deposits | 159,936 | 108,571 |
| Sundry Debtors | - | 157 |
| | <u>159,936</u> | <u>108,728</u> |
| <u>Current liabilities</u> | | |
| Sundry creditors | (85) | (2,333) |
| Total assets | <u>9,299,035</u> | <u>9,238,332</u> |
| Usable reserves | | |
| Revenue funds | 747,453 | 681,861 |
| Unusable reserves | | |
| Revaluation reserve | 60,000 | 60,000 |
| Capital adjustment account | 8,491,582 | 8,496,471 |
| | <u>8,551,582</u> | <u>8,556,471</u> |
| Total reserves | <u>9,299,035</u> | <u>9,238,332</u> |

**Nairn Common Good - Quarterly Monitoring
Period to March 2022**

| | Actual 21/22 £ | Annual Budget £ | Variance £ |
|---|-------------------------------|--------------------------------|-----------------------|
| INCOME | | | |
| Rents | 121,745 | 121,800 | (55) |
| Lettings | 389 | 12,500 | (12,111) |
| Investment Income | 14,373 | - | 14,373 |
| Miscellaneous Income | 11,137 | 125 | 11,012 |
| TOTAL INCOME | <u>147,644</u> | <u>134,425</u> | <u>13,219</u> |
| EXPENDITURE | | | |
| Property Costs | 72,700 | 69,000 | 3,700 |
| Electricity | 1,141 | 2,000 | (859) |
| Water charges | 220 | 700 | (480) |
| Rents, Rates and Insurance | 38 | 3,600 | (3,562) |
| Central support | 17,813 | 10,500 | 7,313 |
| Advertising | 1,310 | 250 | 1,060 |
| Legal Expenses | (158) | 1,000 | (1,158) |
| TOTAL EXPENDITURE | <u>93,064</u> | <u>87,050</u> | <u>6,014</u> |
| Surplus/(deficit) before projects | <u>54,581</u> | <u>47,375</u> | <u>7,206</u> |
| PROJECTS | | | |
| Contribution from HC for internal project management costs (splashpad) | 16,646 | - | 16,646 |
| Project Costs | 6,590 | 15,000 | (8,410) |
| Surplus/(deficit) on projects | <u>10,056</u> | <u>(15,000)</u> | <u>25,056</u> |
| Surplus/(deficit) after projects | 64,636 | 32,375 | 32,261 |
| Year end accounts adjustments not in Monitoring: | | | |
| Project costs capitalised | 5,314 | - | 5,314 |
| Depreciation | (14,703) | - | (14,703) |
| Revaluation gains/(losses) | 5,456 | - | 5,456 |
| Total comprehensive income and expenditure | <u>60,703</u> | <u>32,375</u> | <u>37,717</u> |
| Usuable reserves (Appendix 1) | <u>747,453</u> | | |

**Nairn Common Good
Period to December 2022**

APPENDIX 2a

| | Actual £ | Annual Budget £ | Estimated Outturn £ | Variance £ |
|---|---------------------|--------------------------------|------------------------------------|-----------------------|
| INCOME | | | | |
| Rents | 127,207 | 121,800 | 133,995 | 12,195 |
| Lettings | 15,705 | 12,500 | 15,705 | 3,205 |
| Invitation to pay parking | 23,380 | 12,000 | 24,000 | 12,000 |
| Invitation to pay parking - 21/22 | 17,681 | - | 17,681 | 17,681 |
| Miscellaneous Income | 702 | 125 | 125 | - |
| TOTAL INCOME | 184,676 | 146,425 | 191,505 | 45,080 |
| EXPENDITURE | | | | |
| Property Costs | 14,684 | 69,000 | 69,000 | - |
| Electricity | 1,442 | 2,000 | 2,000 | - |
| Water charges | 82 | 700 | 700 | - |
| Special Grants | 5,000 | - | 5,000 | 5,000 |
| Rents, Rates and Insurance | 1,529 | 3,600 | 3,600 | - |
| Central support | 8,697 | 10,500 | 19,700 | 9,200 |
| Car parking costs | - | - | 3,000 | 3,000 |
| Advertising | 290 | 250 | 250 | - |
| Legal Expenses | - | 1,000 | 1,000 | - |
| TOTAL EXPENDITURE | 31,724 | 87,050 | 104,250 | 17,200 |
| Income less Expenditure | 152,952 | 59,375 | 87,255 | 27,880 |
| PROJECTS | | | | |
| EXPENDITURE | | | | |
| Project Costs - Links Development | - | 15,000 | 15,000 | - |
| NCGF Playparks | - | 12,000 | 12,000 | - |
| Demolition & removal of Links Store | - | 5,000 | 5,000 | - |
| | - | 32,000 | 32,000 | - |
| To be added to reserves | 152,952 | 27,375 | 55,255 | 27,880 |
| Audited Usable Reserves 2021/22 (Appendix 2) | | 747,453 | | |

**MONITORING STATEMENT 2021/22
NAIRN COMMON GOOD FUND RESERVES
FOR PERIOD ENDING DEC 2223**

APPENDIX 2b

| | £000 |
|--|-------------------|
| Value of investment portfolio at 31.06.2022 | 538 |
| Change in value of investment portfolio over 2022/23 Q2 | <u>(14)</u> |
| Value of investment portfolio at 30.09.2022 | 524 |
| | |
| Loans Fund balance (cash reserves) as at 31.03.2022 | 160 |
| | |
| Total reserves balance as at 30.09.22 | <u>684</u> |
| | |
| Anticipated use of reserves during 2022/23: | |
| To be added to reserves/(fund core budget spend) (from Appendix 1) | 87 |
| To fund project spend (from Appendix 1) | (32) |
| | |
| Anticipated reserves as at 31.3.2023* | <u>739</u> |
| | |
| ANTICIPATED RESERVES AFTER COMPLETION OF ALL PLANNED PROJECTS | <u><u>739</u></u> |

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

**Nairn Common Good Fund
Budget 2023/24**

Appendix 3

**Draft Budget
2023/24
£**

INCOME

| | |
|---------------------------|----------------|
| Rents | 134,489 |
| Lettings | 12,500 |
| Invitation to pay parking | 24,000 |
| Miscellaneous Income | <u>125</u> |
| TOTAL INCOME | 171,114 |

EXPENDITURE

| | |
|----------------------------|----------------|
| Property maintenance | 69,000 |
| Electricity | 2,000 |
| Water charges | 700 |
| Rents, Rates and Insurance | 3,600 |
| Events and festivals | 10,000 |
| Staff costs | 22,000 |
| Central support | 10,000 |
| Car parking costs | 3,000 |
| Advertising | 250 |
| Legal Expenses | <u>1,000</u> |
| TOTAL EXPENDITURE | 121,550 |

Income less Expenditure 49,564

PROJECTS

| | |
|---------------------------|---------------|
| Project Costs | 25,000 |
| Sandown feasibility study | <u>18,000</u> |
| | <u>43,000</u> |

FUNDS AVAILABLE/(REQUIRED) AFTER PROJECT SPEND 6,564

Estimated Usable Reserves 2022/23 (Appendix 3) **738,814**