

# The Highland Council

<b>Agenda Item</b>	<b>11a</b>
<b>Report No</b>	<b>CIA/07/24</b>

**Committee:** City of Inverness Area Committee

**Date:** 5 February 2024

**Report Title:** Inverness Common Good Fund - 2022/23 Annual Accounts and Final Monitoring

**Report By:** Executive Chief Officer, Communities and Place  
Head of Corporate Finance & Commercialism

## 1. Purpose/Executive Summary

- 1.1 This report presents the final outturn and Statement of Accounts for 2022/23 for Inverness Common Good Fund (ICGF).
- 1.2 An overall revenue deficit of £0.088m was incurred per the final outturn. Along with expenditure on projects of £0.310m (mainly the Market Hall at the Victorian Market), a total of £0.398m was taken from reserves (budgeted use of reserves £0.963m).
- 1.3 The total comprehensive income and expenditure statement for the year showed a deficit of £0.769m, a further £0.371m deficit on that reported in the monitoring statement. This difference is due to year end accounting adjustments on capital assets, such as revaluation gains/losses.

## 2. Recommendations

- 2.1 Members are asked to:
  - i. Consider and note the final monitoring report (**Appendix 1**) and Statement of Accounts (**Appendix 2**) for the Inverness Common Good Fund for the year ended 31 March 2023.

## 3. Implications

- 3.1 **Resource** - As detailed within report.
- 3.2 **Legal** – The Common Good Fund figures for all Highland Common Good Funds appear in the Highland Council accounts, which have been audited with no significant issues to report. However, the Highland Council accounts remain in draft until approved at Audit Committee on 24 January 2024.
- 3.3 **Community (Equality, Poverty, Rural and Island)** – None

3.4 **Climate Change / Carbon Clever** – None

3.5 **Risk** – None

3.6 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** In applying the budget to address agreed expenditure due consideration is given to meeting all statutory requirements and complying with the Council's own policies, practices and procedures in this regard.

3.7 **Gaelic** - None

#### **4. Final Financial Monitoring 2022/23**

4.1 **Appendix 1** of this report shows the Financial Monitoring Statement and **Appendix 2** shows the final Audited Statement of Accounts in respect of Inverness Common Good Fund for Financial Year 2022/23.

4.2 **Appendix 1** shows a deficit in income over expenditure of £0.088m, before capital projects. The Budget for the year showed an expected deficit of £0.465m (mainly to cover £0.444m of 2021/22 commitments carried forward into 2022/23). The main contributors to the variance between Budget and Actual (£0.377m) are as follows:

- Overall, expenses were £0.351m higher than Budget, the main contributor to this being in relation to Victorian Market Maintenance and the impact of tenancy voids at the Victorian Market in respect the refurbishment project which concluded in September 2022.
- Income was £0.728m higher than Budget, which included £0.601m from Rents & Lettings and £0.117m investment income.

Commentary on significant variances (greater than £0.010m) is set out in sections 5 and 6 below.

**Appendix 1** shows a Budget project spend of £0.498m, on which there was a £0.188m underspend, mainly in relation to the Market Hall improvements at the Victorian Market. However, this underspend was reallocated to cover the increased costs of the fit outs of the units included in Victorian Market Maintenance. As reported to Members during the relevant monitoring reports in 22/23.

#### **5. Variances greater than £0.010m – Income**

##### **5.1 Rents – Industrial Estates**

The income of £2.273m is £0.533m more than budgeted. The greater level of income is due to the commercial portfolio performance exceeding expectations along with premiums received following the renegotiation of rental agreements.

##### **5.2 Rents – Victorian Market**

Income received during the year of £0.151m was £0.061m more than budgeted. The impact of the refurbishment project on rental income through the temporary loss of units was as expected although progress was made on the recovery of rent arrears due to COVID-19. This led to additional income within 2022/23 as arrears were paid off.

5.3 Other Income – Income from Investments

As in previous years, Investment income received from the ICGF Property and Share Portfolio, amounting to £0.117m (£0.129m in 2021/22), has been re-invested.

5.4 Other Income – Interest on Revenue Balances

Despite a lower year end balance, interest on revenue balances of £0.014m was higher than Budget due to increased interest rates.

**6. Variances greater than £0.010m – Expenditure**

6.1 Victorian Market Maintenance

£0.468m higher than Budget. This was due the additional investment made in preparing the 15 new units in the foodhall principally, in respect of installing extraction/ventilation for the preparation and sale of hot food. Further, significant works were commissioned to refurbish areas of the roof in the Market Arcade.

6.2 Victorian Market Operations

£0.196m higher than Budget. The new foodhall required additional staffing over longer hours, together with new requirements to clean the new seating area, The new service charge provision is now gradually compensating the ICGF for these costs.

6.3 Civic and Conference Hospitality

£0.040m less than Budget. This was principally due to a number of events taking longer to re-establish following the COVID-19 pandemic.

6.4 Bowling Clubs

£0.014m less than Budget. This was due to a delay in payment of one of the charges which was paid in 2023/24.

6.5 Festive Lights

£0.020m less than Budget, Expenditure was held back to allow for a project for festive lights to be developed.

6.6 City Centre Festive Lights

£0.049m less than Budget. Expenditure was held back to allow for a project for festive lights to be developed.

6.7 Winter Payments

The committee agreed on 14 September 2022 to a budget of £0.200m, allowing for individual payments to be set at £97 per claim. Then, following a Notice of Motion and a further report, being agreed at committee on 4 November 2022, the payment was further increased to £150 per Claim, with an additional £0.100m being set aside from underspends within the 22/23 ICGF Budget to accommodate. Actual payments were £0.254m plus admin costs of £0.012m.

6.8 Inverness Common Good Fund Grants

The budget of £0.582m comprised £0.307m for grants committed prior to 2022/23, and £0.275m for 2022/23 grant approvals.

The underspend of £0.222m relates largely to projects where funding had been agreed before or during 2022/23, but where the delivery of the project and all or part of the actual expenditure did not take place before the end of 2022/23.

The sum of £0.234m for grants committed during or prior to 2022/23 was rolled forward into the 2023/24 budget.

#### 6.9 Conference Support

£0.034m less than Budget. The budget of £0.083m comprised £0.043m for grants committed prior to 2022/23, and £0.040m for 2022/23 grant approvals.

The underspend of £0.034m relates largely to conferences where funding had been agreed before or during 2022/23, but where the delivery of the conference and all or part of the actual expenditure did not take place before the end of 2022/23.

The sum of £0.034m for grants committed during or prior to 2022/23 was rolled forward into the 2023/24 City Vibrancy budget.

#### 6.10 City Promotions

£0.028m less than Budget. The budget of £0.063m comprised £0.023m for grants committed prior to 2022/23, and £0.040m for 2022/23 grant approvals.

The underspend of £0.028m relates largely to City Promotion projects where funding had been agreed before or during 2022/23, but where the delivery of the conference and all or part of the actual expenditure did not take place before the end of 2022/23.

The sum of £0.028m for projects committed during or prior to 2022/23 was rolled forward into the 2023/24 City Vibrancy budget.

#### 6.11 Partnership Working BIDS

£0.028m less than Budget. The budget of £0.177m comprised £0.026m for grants committed prior to 2022/23, and £0.151m for 2022/23 grant approvals.

The underspend of £0.028m relates largely to projects where funding had been agreed before or during 2022/23, but where the delivery of the project and all or part of the actual expenditure did not take place before the end of 2022/23.

The sum of £0.028m for projects committed during or prior to 2022/23 was rolled forward into the 2023/24 City Vibrancy budget.

#### 6.12 Events & Festivals

£0.013m more than Budget; This was due to unavoidable additional staffing costs.

#### 6.13 Investment Advisor Fees

The overspend of £0.025m higher than Budget is due to the Budget not including provision for Adam & Co fees, which were £0.026m (£0.028m in 2021/22).

The Budget does not include provision for these fees as they are only accounted for at the year-end to comply with accounting rules.

### 7. **Projects**

7.1 An underspend of £0.188m is shown, mainly due to the project for the refurbishment of the Victorian Market Hall being delivered £0.196m under budget.

## 8. Statement of Accounts 2022/23 (Appendix 2)

8.1 The Statement of Accounts is comprised of an Income and Expenditure Statement for the year ended 31 March 2023 and a Balance Sheet as at 31 March 2023.

This statement of accounts has not been individually audited, but the total common good fund balances, comprising all of the Highland Council Common Good Funds, which appear as a note to the Highland Council accounts, have been audited as they appear in the Highland Council accounts. The auditors have found no significant issues to report on the Common Good Fund notes to the accounts. However, until signed, the Highland Council accounts remain in draft.

8.2 The Income and Expenditure Statement sets out the results for the year in a more condensed way than the Monitoring Statement presented in **Appendix 1**. Further, the Monitoring Statement does not consider items such as the movements in the valuations of assets, which are required to comply with accounting rules.

8.3 The Income and Expenditure Statement for 2022/23 shows a deficit of £0.769m whereas the final Monitoring for 2022/23 showed a revenue deficit of £0.398m. A reconciliation of these two numbers is shown on **Appendix 1** and highlights the additional accounting entries required at year end.

8.4 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.

8.5 Unusable Reserves comprise the Revaluation Reserve and the Capital Adjustment Account. Heritage assets are represented by the Revaluation Reserve (£1.784m) and the investment properties and plant and equipment held by the Common Good are represented by the Capital Adjustment Account (£24.452m).

8.6 The value of the investment portfolio (£4.947m) along with that of debtors, loans fund deposits and creditors are held in Revenue Funds (£5.264m). This is the Usable Reserve and represents actual funds available.

8.7 Although the value of Investments was reduced by £0.688m from 2021/22, £0.530m was drawn down through the sale of investments in 2022/23 to meet project liabilities. The following is a summary of the current position:

	£000
Opening value	5,635
Investment income	117
Management Fees	(26)
Transferred to Cash	(530)
Unrealised Losses (Investments)	(249)
Closing Value	4,947

Designation: Allan Gunn, Executive Chief Officer, Communities and Place  
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Date: 19 January 2024

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Background Papers:

Appendices:

Appendix 1 – 2022/23 Statement of Accounts

Appendix 2 – 2022/23 Final Monitoring

**MONITORING STATEMENT 2022/23  
INVERNESS COMMON GOOD FUND  
FOR PERIOD ENDING MARCH 2023**

		ACTUAL	BUDGET	VARIANCE	
	Cost classification	£000	£000	£000	
<b>EXPENDITURE</b>					
Victorian Market Maintenance	Essential	569	101	468	463.7%
Victorian Market Operations	Cost Recovery	307	111	196	177.0%
Victorian Market Management	Cost Recovery	56	55	1	1.0%
Town House Maintenance	Essential	105	100	5	5.3%
Other Properties	Essential	148	155	(7)	-4.3%
Civic and Conference Hospitality	Discretionary	86	125	(40)	-31.5%
Ness Islands & Bank Maintenance	Essential	37	36	1	3.8%
ICGF Bowling Clubs	Essential	37	51	(14)	-27.6%
River Ness Fishings	Essential	17	20	(3)	-17.5%
Festive Lights	Cost Recovery	53	73	(20)	-27.2%
City Centre - Festive Lights	Discretionary	51	100	(49)	-49.2%
Town Twinning	Discretionary	-	9	(9)	-100.0%
Winter Payments	Discretionary	266	200	66	32.9%
Inverness Common Good Fund Grants	Discretionary	360	582	(222)	-38.1%
Conference Support	Discretionary	49	83	(34)	-40.7%
City Promotions	Discretionary	35	63	(28)	-43.7%
Partnership Working BIDS	Discretionary	149	177	(28)	-16.0%
Events & Festivals	Discretionary	316	303	13	4.4%
CCTV	Cost Recovery	90	90	-	0.0%
Property Management Fees	Cost Recovery	139	143	(4)	-2.9%
Central Support Charge	Cost Recovery	130	87	43	49.8%
Commemorative Bedding	Discretionary	-	11	(11)	-100.0%
Investment Advisor Fees	Cost Recovery	35	10	25	254.4%
Press & Public Relations	Cost Recovery	10	10	(0)	-4.4%
<b>TOTAL EXPENDITURE</b>		<b>3,046</b>	<b>2,695</b>	<b>351</b>	<b>13.0%</b>
<b>FUNDED BY:</b>					
<b>Rents &amp; Lettings</b>					
Industrial Estates		2,273	1,740	533	30.6%
Victorian Market		151	90	61	67.3%
Town House		243	234	9	3.8%
1-5 Church Street		95	96	(1)	-0.8%
River Ness Fishing Rights		8	10	(2)	-15.0%
Other Properties		37	35	2	4.4%
		<u>2,806</u>	<u>2,205</u>	<u>601</u>	<u>27.3%</u>
<b>Other Income</b>					
Fishing Assessment Dues		16	20	(4)	-18.6%
Investment Income		117	-	117	0.0%
Refund VAT Invest Mngt Fees22		3	4	(1)	-14.0%
Interest on Revenue Balances		14	1	13	1349.0%
<b>TOTAL FUNDING</b>		<b>2,958</b>	<b>2,230</b>	<b>728</b>	<b>32.6%</b>
<b>Surplus/(deficit) before projects</b>		<b>(88)</b>	<b>(465)</b>	<b>377</b>	<b>-81.1%</b>
<b>PROJECT SPEND</b>					
Town House Refurbishment - Phase 3		89	80	9	11.6%
Victorian Market - Market Hall Improvements		214	410	(196)	-47.9%
Compensation Payments - Victorian Market		7	8	(1)	-10.9%
<b>TOTAL</b>		<b>310</b>	<b>498</b>	<b>(188)</b>	<b>-37.7%</b>
<b>Surplus/(deficit) after projects</b>		<b>(398)</b>	<b>(963)</b>	<b>565</b>	<b>-58.7%</b>
<b>Year end accounts adjustments not in Monitoring:</b>					
Project/repairs costs capitalised		668			
Depreciation		(16)			
Revaluation gains/(losses) - investment properties		(774)			
Revaluation gains/(losses) - investments		(249)			
<b>Total comprehensive income and expenditure</b>		<b>(769)</b>			
<b>Usable reserves 31 March 2023 (Appendix 2)</b>		<b>5,264</b>			

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

<b>Income and Expenditure Account</b>				
<b>2021/22</b>	<b>Year ended 31 March</b>	<b>2022/23</b>	<b>Mvmt</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>Mvmt %</b>
	<u>Expenditure</u>			
220	Staff costs	299	79	35.9%
233	Property costs	277	44	18.9%
626	Other costs	1,108	482	77.0%
839	Grants and contributions	818	(21)	-2.5%
201	Administration charges	245	44	21.9%
4	Depreciation	16	12	300.0%
<b>2,123</b>	<b>Total expenditure</b>	<b>2,763</b>	<b>640</b>	<b>30.1%</b>
	<u>Income</u>			
2,285	Rents	2,455	170	7.4%
59	Miscellaneous income	431	372	630.5%
3	Interest on revenue balances	14	11	366.7%
129	Income on investments	117	(12)	-9.3%
393	Capital Grants and contributions	-	(393)	-100.0%
258	Grants and contributions	-	(258)	-100.0%
58	Realised gain on sale of investments	157	99	170.7%
<b>3,185</b>	<b>Total income</b>	<b>3,174</b>	<b>(11)</b>	<b>-0.3%</b>
<b>1,062</b>	<b>Surplus/(deficit) for the year</b>	<b>411</b>	<b>(651)</b>	<b>-61.3%</b>
(1,674)	Revaluation gains/(losses)	(774)	900	-53.8%
54	Unrealised gains/(losses) on investments	(249)	(303)	-561.1%
(58)	Realised gains recycled through CIES	(157)	(99)	170.7%
<b>(616)</b>	<b>Total comprehensive income and expenditure</b>	<b>(769)</b>	<b>(153)</b>	<b>24.8%</b>
	<b>Balance Sheet</b>			
	<b>As at</b>			
<b>31/03/2022</b>		<b>31/03/2023</b>	<b>Mvmt</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>Mvmt %</b>
	<u>Non current assets</u>			
24,556	Investment properties	24,371	(185)	-0.8%
5,635	Investments at valuation	4,947	(688)	-12.2%
1,785	Heritage Assets	1,785	-	0.0%
17	Plant and Equipment	80	63	370.6%
<b>31,993</b>		<b>31,183</b>	<b>(810)</b>	<b>-2.5%</b>
	<u>Current assets</u>			
96	Sundry debtors	160	64	66.7%
539	Loans fund deposits	407	(132)	-24.5%
<b>635</b>		<b>567</b>	<b>(68)</b>	<b>-10.7%</b>
	<u>Current liabilities</u>			
(360)	Sundry creditors	(250)	110	-30.6%
<b>32,268</b>	<b>Total assets</b>	<b>31,500</b>	<b>(768)</b>	<b>-2.4%</b>
	<b>Usable reserves</b>			
5,911	Revenue funds	5,264	(647)	-10.9%
	<b>Unusable reserves</b>			
1,784	Revaluation reserve	1,784	-	0.0%
24,573	Capital adjustment account	24,452	(121)	-0.5%
<b>26,357</b>		<b>26,236</b>	<b>(121)</b>	<b>-0.5%</b>
<b>32,268</b>	<b>Total reserves</b>	<b>31,500</b>	<b>(768)</b>	<b>-2.4%</b>