

Agenda Item	12.b
Report No	CIA/28/24

The Highland Council

Committee: City of Inverness Area Committee

Date: 19 August 2024

Report Title: Inverness Common Good Fund Monitoring

Report By: Assistant Chief Executive - Place

1. Purpose/Executive Summary

- 1.1 This report presents the near final outturn for 2023/24 for Inverness Common Good Fund (ICGF). This is subject to completion of the audit of the Highland Council accounts.
- 1.2 An overall revenue deficit of £0.081m was incurred per the final outturn. Along with final expenditure on the Market Hall at the Victorian Market project of £0.033m, a total of £0.115m will be taken from reserves (budgeted use of reserves £0.381m).

2. Recommendations

- 2.1 Members are asked to:
- i. Consider and note the near final monitoring report (**Appendix 1**) for the Inverness Common Good Fund for the year ended 31 March 2024.

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. The Highland Council accounts remain in draft until approved by the Audit Committee.
- 3.4 **Risk** – None
- 3.5 **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.
- 3.6 **Gaelic** - None

4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring report and therefore an impact assessment is not required.

5. Near Final Monitoring 2023/24

- 5.1 **Appendix 1** of this report shows the Near Final Financial Monitoring Statement in respect of Inverness Common Good Fund for Financial Year 2023/24. Members are asked to note that these figures are near final, pending completion of the audit of the Highland Council accounts.
- 5.2 **Appendix 1** shows a deficit in income over expenditure, before capital projects, of £0.081m. The Budget for the year showed an expected deficit of £0.381m, which was to cover 2022/23 commitments carried forward into 2023/24.
- 5.3 It should be noted that £0.294m of expenditure committed in 2023/24 was not spent and will therefore be carried forward into 2024/25. There will also be a balancing charge in 2024/25 relating to 2023/24 for the Victorian Market Service charge once the property services have finalised accounts.
- 5.4 The main contributors to the variance between Budget and Actual (£0.300m; £0.594m including amounts carried forward) are as follows:
- Overall, expenses were £0.396m higher than Budget, the main contributors to this being in relation to Victorian Market Operations and Maintenance. However, £0.294m of these costs have been recharged to be covered by the Victorian Market Service Charge – see Income.
 - Income was £0.695m higher than Budget, which included £0.277m from Rents & Lettings, £0.118m investment income and £0.294m in regard to amounts recharged in relation to expenses of the Victorian Market.

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

- 5.5 **Appendix 1** shows a spend of £0.033m against a Budget project spend of £Nil. The spend was on final retentions and no further expenditure is now expected on the Victorian Market refurbishment project.

6. Variances greater than £0.010m - Income

6.1 Rents – Industrial Estates

The income of £2.017m is £0.204m 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.

6.2 Rents – Town House

No income was expected for the Town House in 2023/24. However, there was rent received of £0.039m relating to tenants who took occupancy of space in the Town House towards the end of the year.

6.3 Rents – Town House Car Park

Despite the reclassification of the town house car park as a Highland Council asset with effect from 31 December 2023, as reported to CIAC on 20 November 2023, income is higher than budget due to the return of the car park to use following completion of adjacent works

6.4 Rents – Other Properties

This was due to all property being fully let, which can be more particularly detailed in the Site and Premises transaction report. This produced an additional £0.011m in income against a budget of £0.028m.

6.5 Other Income – Investment Income

As in previous years, Investment income received from the ICGF Property and Share Portfolio, amounting to £0.118m (£0.117m in 2022/23), has been re-invested.

6.6 Other Income – Victorian Market Service Charge

This relates to expenditure paid directly from ICGF which is to be recharged to the tenants of the Victorian Market under the service charge arrangement with property services. It comprises £0.186m re Victorian Market Operations, £0.079m re Victorian Market Maintenance and £0.029m re Victorian Market Marketing.

6.7 Other Income – Interest on Revenue Balances

Interest on revenue balances of £0.018m was higher than Budget due to increased interest rates.

7. Variances greater than £0.010m - Expenditure

7.1 Victorian Market Operations

£0.110m 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 gradually compensating the ICGF for these costs.

7.2 Victorian Market Maintenance

£0.319m higher than Budget. This was due the additional investment made in preparing the 15 new units in the food hall, 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. These costs have been incorporated into capital cost of refurbishing the Victorian Market Foodhall, which is now fully let save for units requiring power supply. Work is ongoing regarding a project to install a solar panel/battery storage facility.

7.3 Victorian Market Service Charge
£0.029m lower than Budget; balancing charge from the property management firm is outstanding.

7.4 Town House Maintenance
£0.148m higher than Budget principally due to the £0.100m for the new WiFi system and spend in relation to lighting and redecoration of new tenants.

7.5 Town House Utilities and Cleaning
£0.030m lower than expected due to there being no recharge from Highland Council for electricity.

7.6 Town House Future Planning
£0.028m lower than budget due to the feasibility study for its future use being commissioned in 2024/25.

7.7 Other Properties
£0.063m underspend which, as committed, has been carried forward into 2024/25.

7.8 Inverness Common Good Fund Grants
The budget of £0.395m comprised £0.234m for grants committed prior to 2023/24, and £0.161m for 2024/24 grant approvals. Further amounts were approved to be taken from reserves (not included in the Budget figures shown) at the 20 November 2023 Committee:

- £0.038m re Poverty and inequality
- £0.013m re other grants and
- £0.150m re Whin Park

The underspend of £0.153m relates largely to projects where funding had been agreed before or during 2023/24, but where the delivery of the project and all or part of the actual expenditure did not take place before the end of 2023/24.

The sum of £0.208m (underspend plus amounts to be taken from reserves) for grants committed during or prior to 2023/24 was rolled forward into the 2024/25 budget.

7.9 City Vibrancy
£0.024m higher than Budget. Further amounts of £0.027m were approved to be taken from reserves (not included in the Budget figures shown) at the 20 November 2023 Committee.

7.10 Community Events
£0.027m higher than Budget. This was principally due to one off costs associated with the provision of a new website and establishing social media accounts. This was reported through the provision of regular monitoring reports. A breakdown is shown at Appendix 2

7.11 City Centre Festive Lights
£0.083m higher than Budget. This was due to costs associated with installation of new lighting along with unexpected costs incurred from capital works required to instal additional lighting columns.

7.12 Festive Lights

£0.057m less than Budget. However, this is balanced by the additional expenditure referred to in 6.11 above.

7.13 Investment Advisor Fees

The overspend of £0.026m higher than Budget is due to the Budget not including provision for Adam & Co fees, which were £0.024m (£0.026m in 2022/23).

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

8 Projects

8.1 An overspend of £0.033m is shown relating to retention payments which were not budgeted for. No further expenditure is expected on this project being the Victorian Market refurbishment.

9. Investments and Reserves

9.1 **Appendix 3** shows the investments and reserves position for the fund as at 31 March 2024. This is provisional and subject to audit.

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

In this context, officers can confirm that the value of the fund increased by 3.1% during the quarter ended 31 March 2024, in contrast to a benchmark return of 3.3%. On an annual basis, the Fund returned a 6.6% increase in contrast to the benchmark return of 9.8%.

9.3 The provisional value of the investments at 31 March 2024 was £5.022m.

Although the value of Investments was only increased by £0.075m (1.5%) from 2022/23, £0.250m was drawn down during the year from the sale of investments to meet core spend and project liabilities. The following is a summary of the position at 31 March 2024:

	£000
Opening value	4,947
Investment income	118
Management Fees	(24)
Transferred to Cash	(250)
Unrealised gains	231
Closing Value	<u>5,022</u>

10 1-5 Church Street

- 10.1 At their meeting held on 22 April 2024 the ICGF Sub-Committee homologated the decision to agree to a lease surrender of 1-5 Church Street, Inverness back to the Common Good Fund and place it on the market for let.
- 10.2 Skills Development Scotland (SDS) paid £0.200m for a lease surrender, which allowed them to leave the property and have no further rent, rates, utilities or responsibilities. Although agreed in April, SDS did not vacate until 27th June. SDS occupied the ground, mezzanine and first floor.
- 10.3 From the 27th June, the ICGF will no longer receive rent from SDS and will now be responsible for rates, utilities and general running costs. The property has been placed on the market and the ground and mezzanine was leased from 1st August to Europlan Engineering UK Ltd and Sumitomo Electric Industries Ltd. This quick letting will see minimal costs to the ICGF and a rental income of £34,000 with immediate effect. The vacant first floor is on the market.
- 10.4 Whilst this £0.200m income was not included in the 2024/25 Budget, the rent foregone of £0.057m, was required to fund core spend. The lease surrender payment will cover rent foregone and running costs for 2024/25.

Designation: Assistant Chief Executive - Place

Date: 2 August 2024

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Background Papers:

Appendices: Appendix 1 – Near Final Financial Monitoring Statement 2023/24
Appendix 2 – Community Events Monitoring 2023/24
Appendix 3 – Investments and Reserves 2023/24

**MONITORING STATEMENT 2023/24
INVERNESS COMMON GOOD FUND CORE SPEND
FOR PERIOD ENDING MARCH 24**

		ACTUAL	BUDGET	VARIANCE	
	Cost classification	£000	£000	£000	%
EXPENDITURE					
Victorian Market Operations	Cost Recovery	255	145	110	75.5%
Victorian Market Management	Cost Recovery	99	95	4	4.5%
Victorian Market Maintenance	Essential	439	120	319	265.5%
Victorian Market Service Charge	Essential	116	145	(29)	-19.7%
Victorian Market Marketing	Cost Recovery	53	50	3	5.5%
Town House Maintenance	Essential	248	100	148	147.7%
Town House Utilities and Cleaning	Cost Recovery	120	150	(30)	-19.8%
Town House Future Planning	Discretionary	2	30	(28)	-93.7%
Other Properties	Essential	91	109	(18)	-16.3%
Other Properties (c/f) **	Essential	1	46	(45)	-97.8%
Ness Islands & Bank Maintenance	Essential	35	36	(1)	-2.8%
River Ness Fishings	Essential	12	20	(8)	-37.5%
ICGF Bowling Clubs	Essential	52	51	1	1.8%
City Centre - Festive Lights c/f	Discretionary	152	69	83	120.6%
Winter Payments	Discretionary	208	217	(9)	-3.9%
ICGF Grants - Poverty and inequality	Discretionary	52	121	(69)	-57.1%
ICGF Grants - other	Discretionary	81	40	41	101.5%
ICGF Grants (c/f) **	Discretionary	110	234	(124)	-53.0%
City Vibrancy	Discretionary	260	216	44	20.5%
City Vibrancy (c/f) **	Discretionary	12	32	(20)	-62.5%
Community Events	Discretionary	204	177	27	15.3%
Commemorative Bedding	Discretionary	-	7	(7)	-100.0%
CCTV	Discretionary	50	50	-	0.0%
Festive Lights	Cost Recovery	16	73	(57)	-77.4%
Property Management Fees	Cost Recovery	133	143	(10)	-7.1%
Central Support Charge	Cost Recovery	131	87	44	50.1%
Investment Advisor Fees	Cost Recovery	36	10	26	262.9%
Press & Public Relations	Cost Recovery	10	10	(0)	-2.8%
TOTAL EXPENDITURE		2,979	2,583	396	15.3%
FUNDED BY:					
Rents & Lettings					
Industrial Estates		2,017	1,813	204	11.3%
Victorian Market Rents		156	150	6	4.1%
Town House		39	-	39	0.0%
Town House car park		41	24	17	69.1%
1-5 Church Street		95	95	0	0.2%
River Ness Fishing Rights		8	8	0	6.2%
Other Properties Rents		39	28	11	38.1%
		2,395	2,118	277	13.1%
Other Income					
Fishing Assessment Dues		12	20	(8)	-38.8%
Investment Income		118	-	118	0.0%
Refund VAT Invest Mngt Fees22		3	4	(1)	-20.0%
Victorian Market Service Charge		294	-	294	0.0%
Contribution from Benevolent Funds for Landward Winter Payments		55	59	(4)	-6.3%
Interest on Revenue Balances		19	1	18	1832.5%
TOTAL FUNDING		2,897	2,202	695	31.6%
Surplus/(deficit) before projects		(81)	(381)	300	-78.7%
PROJECT SPEND					
Victorian Market		(33)	-	(33)	0.0%
TOTAL TO BE FUNDED FROM RESERVES		(115)	(381)	266	-69.9%
Unspent Commitments from prior years included in above				c/f to 24/25	
Grants		110	234	359	
City Vibrancy		12	32	18	
Other Properties		1	46	67	
Lights		152	69	-	
		275	381	444	

**Community Events Budget Monitoring
FOR PERIOD ENDING MARCH 24**

	ACTUAL
	£
Income	
Income	<u>(114,372)</u>
	(114,372)
Expenditure	
Entertainers	58,302
Equipment	139,726
Event Office	38,389
Council Staff	16,040
Marketing	12,153
Security and First Aid	<u>53,915</u>
	318,524
Net Total Expense/(Income)	<u><u>204,152</u></u>

**MONITORING STATEMENT 2023/24
INVERNESS COMMON GOOD FUND RESERVES
FOR PERIOD ENDING MARCH 24**

	£000
Value of investment portfolio at 30.12.2023	5,119
Change in value of investment portfolio over 2023/24 Q4	<u>(97)</u>
Value of investment portfolio at 31.03.2024	5,022
Loans Fund balance (cash reserves) as at 31.03.2023	407
Net Other Debtors/Creditors at 31.03.23	<u>(91)</u>
	5,338
Anticipated use of reserves during 2023/24 per RMS:	
To fund core budget spend (from Appendix 1)	(81)
To fund project spend (from Appendix 1)	<u>(33)</u>
	(115)
Deduct Adam & Co transactions (included in movements in value of investment portfolio above)	
Investment income	(118)
Management fees	25
Disinvestment	<u>250</u>
	157
Reserves as at 31.03.2024	<u><u>5,380</u></u>