

The Highland Council

Agenda Item	10a
Report No	CIA/09/25

Committee: City of Inverness Area Committee

Date: 3 February 2025

Report Title: Inverness Common Good Fund - 2023/24 Annual Accounts and Final Monitoring

Report By: Assistant Chief Executive - Place

1. Purpose/Executive Summary

- 1.1 This report presents the final outturn and Statement of Accounts for 2023/24 for Inverness Common Good Fund (ICGF).
- 1.2 An overall revenue deficit of £0.081m was incurred per the final outturn. Along with expenditure on projects of £0.033m, this generated a total of deficit of £0.115m (23/24 budget approved at CIAC 13 February 2023 was balanced).
- 1.3 The total comprehensive income and expenditure statement for the year showed a surplus of £0.270m, a difference of £0.385m to that reported in the revenue 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 2024.

3. Implications

- 3.1 **Resource** - As detailed within report.
- 3.2 **Legal** – The Statement of Accounts (**Appendix 2**) 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 found no significant issues to report in their 2023/24 audit.
- 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. **Final Financial Monitoring 2023/24**

5.1 **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 2023/24.

5.2 **Appendix 1** shows a deficit in income over expenditure of £0.081m, before capital projects. The Budget for the year showed an expected deficit of £0.381m (which is due to £0.381m-of commitments carried forward from previous years into 2023/24). The main contributors to the variance between Budget and Actual (£0.300m) are as follows:

- Overall, expenses were £0.396m higher than Budget, the main contributor to this being in relation to further expenses refurbishing the Victorian Market. Although the refurbishment project concluded in September 2022 secondary refurbishment continued throughout the financial year.
- Income was £0.695m higher than Budget, which included £0.277m from Rents & Lettings and £0.118m investment income as well as £0.294m from the service charges at the Victorian Market which had not been budgeted for in 2023/24.

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

Appendix 1 shows that there was no budget for projects, but a spend of £0.033m was incurred which relates to the Market Hall improvements at the Victorian Market and was the final payment for contract retention works.

6. Variances greater than £0.010m – Income

6.1 Rents – Industrial Estates

The income of £2.395m is £0.277m higher 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 – Victorian Market

Income received during the year of £0.156m was £0.006m more than budgeted.

6.3 Rents – Town House/Town House Car Park

Successful marketing of the Town House led to a number of new tenancies being agreed allowing for a modest increase in income of £0.039m.

6.4 Other Income – Income from Investments

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.

6.5 Other Income - Victorian Market Service Charge

This sum forms the income received through the application of the Service Charge provisions applicable to the leases within the new Foodhall in the Victorian Market. No budget was set as the Service Charge had not been fully implemented in January 2023.

6.6 Other Income – Interest on Revenue Balances

Interest received on revenue balances was £0.019m. A nominal budget of £0.001m is set annually for this as interest rates are unknown at the time of budget setting.

7. Variances greater than £0.010m – Expenditure

7.1 Victorian Market Operations

£0.110m higher than Budget. The new food hall 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.

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.

7.3 Town House Maintenance

£0.148m higher than Budget. This was due to additional expenditure incurred to carry out essential improvements to the Wi-Fi network within the building in the sum of £0.095m together with enabling works to prepare areas for new tenants.

7.4 Town House Utilities and Cleaning

£0.030m less than Budget. This is due to there being no recharge from Highland Council for electricity.

- 7.5 Town House Future Planning
£0.028m less than Budget. This is due to the feasibility study for its future use being commissioned in 2024/25.
- 7.6 Other Properties
£0.063m less than Budget which relates to grant support committed and not yet paid out in respect of Merkinch Local Nature Reserve, Festoon Riverside Lighting and the installation Rose Window into the Castle.
- 7.7 ICGF Grants
£0.152m less than Budget. The underspend of £0.152m relates largely to projects where funding had been agreed before or during 2023/24, but where the delivery of the projects and all or part of the actual expenditure did not take place before the end of 2023/24.
- 7.8 City Vibrancy
£0.024m higher than Budget. The Committee agreed on 20 November 2023, exceptionally, to draw down from reserves to meet existing applications for grants. This resulted in an additional £0.019m being drawn down from reserves to meet applications relating to City Vibrancy.
- 7.9 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.
- 7.10 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.
- 7.11 Festive Lights
£0.057m less than Budget. However, this is balanced by the additional expenditure referred to in 7.10 above.
- 7.12 Central Support Charges
£0.044m higher than budget. This is due to increased service support across the Council being provided to ICGF. The calculation is made on a cost recovery basis.
- 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. This was incurred due to the Market Hall improvements at the Victorian Market and was the final payment for contract retention works.

9. Statement of Accounts 2022/23 (Appendix 2)

- 9.1 The Statement of Accounts is comprised of an Income and Expenditure Statement for the year ended 31 March 2024 and a Balance Sheet as at 31 March 2024.
- 9.2 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.
- 9.3 The Income and Expenditure Statement for 2023/24 shows a surplus of £0.270m whereas the final Monitoring for 2023/24 showed a revenue deficit of £0.115m. A reconciliation of these two numbers is shown on **Appendix 1** and highlights the additional accounting entries required at year end.
- 9.4 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.
- 9.5 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 Funds balance (£24.606m).
- 9.6 The value of the investment portfolio (£5.022m) along with that of debtors, loans fund deposits and creditors are held in Revenue Funds (£5.380m). This is the revenue reserve and represents actual funds available.
- 9.7 Although the value of Investments overall increased by £0.075m (1.5%) from 2022/23, £0.250m was drawn down through the sale of investments in 2023/24 to meet liabilities. The following is a summary of the current position:

	£000
Opening value 1 April 2023	4,947
Investment income	118
Management Fees	(25)
Transferred to Cash	(250)
Unrealised Gains (Investments)	232
Closing Value 31 March 2024	5,022

Designation: Assistant Chief Executive - Place
Chief Officer Corporate Finance

Date: 21 January 2025

Author: David Haas, Snr Community Development Manager Inverness & South
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Jennifer Johnston, Accountant

Background Papers: None

Appendices: Appendix 1 – 2023/24 Statement of Accounts
Appendix 2 – 2023/24 Final Monitoring

MONITORING STATEMENT 2023/24
INVERNESS COMMON GOOD FUND
FOR PERIOD ENDING March 24

APPENDIX 1

		ACTUALS 2023/24	ANNUAL BUDGET 2023/24	Variance	
		£000	£000	£000	
EXPENDITURE	Cost classification				
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	Essential	53	50	3	5.5%
Town House Maintenance	Essential	248	100	148	147.7%
Town House Utilities and Cleaning	Essential	120	150	(30)	-19.8%
Town House Future Planning	Essential	2	30	(28)	-93.7%
Other Properties	Essential	92	155	(63)	-40.5%
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%
Winter Payments	Discretionary	208	217	(9)	-3.9%
ICGF Grants - Poverty and inequality	Discretionary	52	121	(69)	-57.1%
ICGF Grants - other	Discretionary	191	274	(83)	-30.4%
City Vibrancy	Discretionary	272	248	24	9.8%
Community Events	Discretionary	204	177	27	15.3%
Commemorative Bedding	Discretionary	-	7	(7)	-100.0%
CCTV	Discretionary	50	50	-	0.0%
City Centre - Festive Lights	Discretionary	152	69	83	120.6%
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		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	
Other Income					
Fishing Assessment Dues		12	20	(8)	-38.8%
Investment Income		118	-	118	0.0%
Refund VAT Invest Mngt Fees		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 - Market Hall Improvements		33	-	33	0.0%
TOTAL		33	-	33	0.0%
Surplus/(deficit) after projects		(115)	(381)	266	
Year end accounts adjustments not in Monitoring:					
Project/repairs costs capitalised		384			
Depreciation		(16)			
Revaluation gains/(losses) - investment properties		(215)			
Revaluation gains/(losses) - investments		232			
Total comprehensive income and expenditure		270			
Usable reserves 31 March 2024 (Appendix 2)		5,380			

STATEMENT OF ACCOUNTS
Inverness Common Good Fund

APPENDIX 2

Income and Expenditure Account				
2022/23	Year ended 31 March	2023/24	Mvmt	
£000		£000	£000	Mvmt %
	<u>Expenditure</u>			
299	Staff costs	314	15	5.0%
277	Property costs	502	225	81.2%
1,108	Other costs	1,059	(49)	-4.4%
818	Grants and contributions	629	(189)	-23.1%
245	Administration charges	237	(8)	-3.3%
16	Depreciation	16	-	0.0%
2,763	Total expenditure	2,757	(6)	-0.2%
	<u>Income</u>			
2,455	Rents	2,196	(259)	-10.5%
431	Miscellaneous income	622	191	44.3%
14	Interest on revenue balances	19	5	35.7%
117	Income on investments	118	1	0.9%
-	Grants and contributions	55	55	0.0%
157	Realised gain on sale of investments	36	(121)	-77.1%
3,174	Total income	3,046	(128)	-4.0%
411	Surplus/(deficit) for the year	289	(122)	-29.7%
(774)	Revaluation gains/(losses)	(215)	559	-72.2%
(249)	Unrealised gains/(losses) on investments	232	481	-193.2%
(157)	Realised gains recycled through CIES	(36)	121	-77.1%
(769)	Total comprehensive income and expenditure	270	1,039	-135.1%
Balance Sheet				
31/03/2023	As at	31/03/2024	Mvmt	
£000		£000	£000	Mvmt %
	<u>Non current assets</u>			
24,371	Investment properties	24,540	169	0.7%
4,947	Investments at valuation	5,022	75	1.5%
1,785	Heritage Assets	1,785	-	0.0%
81	Plant and Equipment	65	(16)	-19.8%
31,184		31,412	228	0.7%
	<u>Current assets</u>			
159	Sundry debtors	460	301	189.3%
407	Loans fund deposits	-	(407)	-100.0%
566		460	(106)	-18.7%
	<u>Current liabilities</u>			
(250)	Sundry creditors	(100)	150	-60.0%
-	Loans fund deposits	(2)	(2)	0.0%
(250)		(102)	148	-59.2%
31,500	Total assets	31,770	270	0.9%
5,264	Revenue funds	5,380	116	2.2%
24,452	Capital funds	24,606	154	0.6%
1,784	Revaluation reserve	1,784	-	0.0%
31,500	Total reserves	31,770	270	0.9%