

Agenda Item	6
Report No	CIA/38/25

The Highland Council

Committee: **City of Inverness Area**

Date: **17 November 2025**

Report Title: **Inverness Common Good Fund - Town House Update**

Report By: **Assistant Chief Executive - Place**

1 Purpose/Executive Summary

- 1.1 This report updates Members on the progress made on the delivery and further development of the transformation of Inverness Town House (the Town House) being a key asset of the Inverness Common Good Fund (ICGF).
- 1.2 As reported at committee on 20th May 2024, the Town House was vacated by the Council as an office base for the delivery of Council Services in April 2023. Further, as agreed, officers have progressed a feasibility study through the appointment of Savills. The Feasibility Study (The Study) is attached within **Appendix 1**. The Study determines a pathway which through phased application will not only provide for the Town House to continue to play a key role as a bastion of civic pride but also to develop new and innovative uses giving wider benefit for the City well into the future.
- 1.3 The Study accounts for:-
- its status as a Civic building in the heart of the City;
 - the need to undertake renovations of the interior which are respectful of its status;
 - flexibility regarding the type of activity that can be undertaken subject to it being complimentary to the status and heritage of the Townhouse; and
 - the need for the Council to achieve Best Value for the ICGF
- 1.4 In line with usual procedures, an officer Project Board (The Board) is planned to be established with representation across relevant disciplines. The Board will be responsible for reporting updates to both the ICGF Sub-Committee and City of Inverness Area Committee (CIAC) in respect of transparency, scrutiny and any further authority required regarding the progress of the project programme.

This process will provide for flexible referral and general engagement to and with the City Streetscape Stakeholder Working Group which, will allow for the wider community to be properly engaged. This is aside from any formal consultation, if this is required in terms of change of use, under the Community Empowerment Act.

2 Recommendations

2.1 Members are asked to:-

- i. **Note** the factors considered when assessing the viability of current and future uses of the Town House;
- ii. **Note** structure of the Feasibility Study and how the Town House has been broken down into zones each with their own business models in terms of future development;
- iii. **Note** the resource implications for the Inverness Common Good Fund of the potential investment programme required to realise the vision in the feasibility study both in terms of recommended staffing models and refurbishment programmes;
- iv. **Note** the recommendations of the Feasibility Study noting that a further report will be taken to the next appropriate meeting of the committee updating on the potential of implementation and seeking budgetary approval for phased delivery of any works programme in accordance with available resources, noting that steps will be taken to ensure maximisation of available third-party funding sources;
- v. **Agree** to the setting up of an officer Project Board; and
- vi. **Note** the need to reappraise the ICGF Investment Strategy in the light of any works that may be recommended for progress by the Project board.

3 Implications

3.1 **Resource** - The Town House has seen significant investment in its infrastructure following the £7.4m renovation project. Wi-Fi has been installed at a cost of £0.098m and non-structural works have been undertaken to enable occupation by a number of third-party tenants detailed in para 5.1.6 to the rear of the building. The Study includes a suggested Programme of works, alongside changes to the staffing arrangements which will seek to strengthen delivery capacity. It is to be noted that costs quoted within the Study are estimates and based on March 2025 prices. Construction costs are increasing and noting that any Programme of works would be carried out over a period of time, inflationary pressures can be expected to make a significant impact.

The Project Board will progress a suggested Programme of works over a period of time which takes full account of the priorities suggested by the Study within the resources available.

As part of any options for the operation of the Town House, the Project Board will consider a preferred delivery model along with the significant resourcing implications in terms of capital investment to deliver recommended works. Progress will be subject of further reports to this committee as the Board's recommendations will require to be funded by the ICGF or other third-party funding sources.

3.2 **Legal** - The Council will continue to meet all its legal obligations under the terms of any contracts agreed and processes will comply with the Council's Financial Regulations and Contract Standing Orders. Should a change of use of the existing facility be proposed, then the requirements to undertake a statutory consultation under the Community Empowerment (Scotland) Act 2015, will be progressed.

3.4 **Risk** – The Town House requires to evolve in order to play a key role in both City vibrancy and as an income generator for the ICGF especially noting the completion of

the Inverness Castle Experience later this year. Significant investment will be required to realise this opportunity.

- 3.5 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** - In applying any resources within the Townhouse, the highest regard is given to Health & Safety policies and procedures.
- 3.6 **Gaelic** - There are no known Gaelic implications arising from this report. Any new signage will comply with Council policy.

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 an update report and therefore an impact assessment is not required.

5 Governance

- 5.1 CIAC has delegated power to approve and administer all contracts where the aggregated cost does not exceed 10% of the total value of the ICGF. Noting that ICGF Audited Accounts show an asset valuation of £31m it is unlikely that any approvals required that may follow to be considered following on from the Study, will require further consideration by Full Council.
- 5.2 The Board will take direction in terms of policy, budget scrutiny and community engagement options from CIAC. This will provide for ICGF Sub-Committee to use its existing delegated powers to monitor and scrutinise project delivery. Referral to the City Streetscape Stakeholder Working Group will also be an option.

6 Status of the Study

- 6.1 It was agreed to progress the Study at CIAC on 18th November 2024 at a final cost a total of £26,300 which included an additional sum of £2,500 for a Risk Register to enhance ability to progress next steps at pace.
- 6.2 The Study itself does not constitute a Business Case for developing any aspects of the findings and potential areas for development. The Study sets out the context of the Townhouse and the potential in terms of:-
 - current uses, state and condition;
 - what it could feasibly be used for and split into;
 - enhancing existing uses;
 - developing new ones; and
 - the suggested actions required to enhance the capacity of the Town House

7 Methodology

7.1 The Study has been prepared following:-

- Stakeholder Engagement – with an officer working group, leading Members including the City Leader and Depute, Provost and Deputies and the Chair of the ICGF Sub Committee.

A workshop was also held with leading representatives of the business community with a focus on Hospitality and Events.

7.2 • Analysis of Current Uses – A team from Savills with specialists in utilising multi-purpose buildings assisted through discussion with officers in establishing the context of the Town House within the City noting risks and opportunities noting the current lettings Market in the City.

This included an understanding of the progress that has been made in respect of establishing a website, developing a Marketing Strategy and building a lettings framework to encourage more lets for third party occupancy.

7.3 • **Assessment of Income & Expenditure** – as background the ICGF 2025/26 Budget is attached within **Appendix 2**.

- This highlights that the Town House currently runs at a significant deficit. The Study shows that the steps taken to date have begun to improve the Town House Balance Sheet however significant work is required to make an impact on the current deficit.
 - Substantial investment will be needed to progress options for developing the Town House which can only be considered subsequent to appropriate Project Management principles being applied such as the assessment of viability through the preparation of Business Cases for each aspect.
 - In addition, we will continue to support and develop opportunities for the Town House Civic and Facilities Team.
- **SWOT Analysis** – an overarching Strength, Weaknesses, Opportunities and Threats Analysis was undertaken. This has given a realistic appraisal of the Town House in the current Market in terms of letting potential and likely uptake of Conferencing, Hospitality and general leisure uses. It must be emphasised that all the options require further in-depth work to develop Business Cases for each aspect all of which must be seen in the context of the strategic objectives of the ICGF and indeed the corporate priorities of our communities set by the Council.
 - **Status Quo Appraisal** – The option of doing nothing is the most likely option to be discounted quickly. The Town House is the focal point for Civic excellence and showcases the city and subsequent to the £7.4m investment on the external structure and the interior of the Main Hall is seen as an exemplar for presenting a sustainable investment programme in a Grade 1 Listed Building. The Study evaluates this option however as stated previously whilst tempting to discount at this stage, it is strongly recommended not to and to allow appropriate appraisals to take place.

- **Market Appraisal** – This is at the core of the Study. Assessed following Stakeholder Engagement alongside professional assessments of the Town House set against influencing factors including competing offers and the other significant developments such as the Inverness Castle Experience and the Victorian Market, the latter providing a good example of how an ICGF asset can be successfully rejuvenated for the 21st Century.

8 Study Outcomes

8.1 Options Appraisal - this has been broken down into areas of business being:-

- Civic;
- Office – commercial;
- Office Administrative and Public Sector (e.g., Police Scotland);
- Commercial Hospitality; and
- Retail

8.2 Civic Requirement and Grant Funding – The requirement to retain the Civic status of the Townhouse has been retained throughout the Study. Use of the Townhouse has been broken down into 'Zones' as follows:-

- Civic;
- Office/Residential;
- Civic Functions and Meetings;
- Room Hire (Venue Spaces/Meeting Rooms);
- Ticketed Events;
- Community Events;
- Office Suites and Meeting Rooms;
- Ground Floor Retail;
- Community Use (Police); and
- Administration

9 Financial Implications

9.1 The Study provides a summary overview of the potential costs of progressing the options considered to be the most viable. It is essential that we understand that all these assessments are strictly subject to in depth work being carried out to ensure that the state and condition of all services and statutory requirements for any Development or Change of Use are assessed as part of the development of Business Cases for each element. Therefore, at this stage all these opportunities are to be noted and will be subject to the suggested Governance route detailed in this report being agreed and applied.

The Study summarises:-

- Capex;
- Income;
- Operational Costs; and
- Return on Investment

10 Operational Considerations

10.1 The Civic and Facilities Team have continued to successfully support the operation of the Town House, since the Council vacated the majority of administrative functions on 1 April 2023. Since then, the Senior Community Development Manager has been supported by the Team in respect of developing additional Commercial Hospitality uses such as Hall Lets for Events including Weddings, Shows and Conferencing opportunities.

The Team, led by the Senior Business Support Operations Manager – Corporate, with help from specialist providers, in the development of the Townhouse Website and new Branding. This has strengthened all aspects of all aspects of Commercial use which has now been extended to Office Lets.

10.2 The rebranding of the Town House has been underpinned by a reinvention of the Town House Logo achieved with the essential collaboration with the Art and Design Team at UHI Inverness led by Lecturer Ken Gowans MFA, PgCert TQFE, CertSocSci.

10.3 The development of business cases which impact on the Town House Team will include a strong focus on engagement with the Team. All implications around team capacity will be considered and factored into any plans. This will include the provision of Training and Career Development opportunities that may arise as a result of the sustainable regeneration of the Town House.

11 Operating Models

11.1 Whilst the retention of direct management by the Council is a major option, an appraisal is required as to the viability of the other options summarised within the Study. The proximity of the Inverness Castle Experience and the newly rejuvenated Victorian Market will be very important in terms of collaborative opportunities as we progress.

12 Town House Events

12.1 A specialist provider has been engaged to lead on developing an events programme for the Town House. An exciting events programme including:-

- Doors Open Day – attracting 600 visitors; and
- Town House Tours – through October being oversubscribed is being progressed

Governance of the events programme rests with the Events and Festivals Working Group. As all ICGF events fall within the Working Group's remit. This ties in with website design and general promotion through the specialist providers. This pilot arrangement will be reviewed in April 2026.

13 Next Steps

13.1 **Project Board (the Board)** – it is recommended that an officer Board is established with all the relevant disciplines, to enable:-

- an appraisal of the options provided within the Study in the context of financial viability and the priorities of the ICGF and the Council's corporate priorities;
- preparation of a Project Programme which will be the subject of Outline and subsequent full Businesses Cases;
- complimentary work to secure compliance with all Human resources Policies and Procedures;
- full engagement with Members through briefings to the City Leader, Provost and Chair of the ICGF Sub Committee;
- engagement with all Stakeholders;
- reports to CIAC updating on at least Bi-Annual basis;
- securing Third Party Funding in liaison with complimentary Agencies such as Highlands & Islands Enterprise; and
- the development and monitoring of a Risk Register.

13.2 ICGF Investment Strategy

- Prior to the delivery of the investment programme for the exterior of the Townhouse a phased implementation programme was agreed in tandem with an assessment of the future financial planning model required to ensure substantiable delivery of the Programme allowing for the protection and sustainable growth of ICGF financial reserves.
- This will need to be delivered in the context of potential funding requirements for the delivery of the project Programme recommended by the Board which will only be progressed subsequent to the agreement of CIAC.
- This will involve a reappraisal of the revenue funding priorities currently being utilised in the setting of the annual budgets for Discretionary expenditure.

13.3 Once the Board has been established an early action will be to evaluate a draft project programme with quick wins being identified and progressed through further reports to CIAC.

Designation: Assistant Chief Executive- Place

Date: 30 October 2025

Author: David Haas, Senior Community Development Manager
City of Inverness & South

Background Papers: None

Appendices: Appendix 1 – Feasibility Study
Appendix 2 - ICGF 2025/26 Budget

Integrated Impact Assessment Screening

About proposal

What does this proposal relate to? Action or delivery plan, Redesign or change to existing service

Proposal name: Inverness Common Good Fund, Inverness Town House - Update

High level summary of the proposal: Establish a project board to appraise and progress options from a feasibility study on future redevelopment and reuse of Town House.

Who may be affected by the proposal? The Board will have due regard to considering potential impacts as part of its appraisal of options; including potential users of the Town House and Civic & Facilities team members.

Start date of proposal:

End date of proposal:

Does this proposal result in a change or impact to one or more Council service? No

Does this relate to an existing proposal? Yes

Provide details of the existing proposal: CIA/18/24 Common Good Fund Town House Update - proposal to proceed with consultancy to prepare the feasibility study.

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Responsible officer details

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Sign off date: 2025-10-07

Equalities, poverty, and human rights

Protected characteristics

Select what impact the proposal will have on the following protected characteristics:

Sex: No impact

Age: No impact

Disability: No impact

Religion or belief: No impact

Race: No impact

Sexual orientation: No impact

Gender reassignment: No impact

Pregnancy and maternity: No impact

Marriage and civil partnership: No impact

Protected characteristics impact details:

Poverty and socio-economic

What impact is the proposal likely to have on the following?

Prospects and opportunities: No impact

Places: No impact

Financial: No impact

Poverty and socio-economic impact details: Progressing work to realise wider benefits from future use of the Town House.

Human rights

Which of the below human rights will be affected by this proposal? No human rights will be affected

What impact do you consider this proposal to have on the human rights of people? No impact

Human rights impact details:

Equalities, poverty and human rights screening assessment

What impact do you think there will be to equalities, poverty and human rights? Positive impact

Is a Full Impact Assessment required? No

Children's rights and wellbeing

What likely impact will the proposal have on children and young people? No direct nor indirect impact from establishing the board. When reviewing the options for future delivery, the board may need to have regard to potential impacts each may have upon children's rights and wellbeing.

Which of the below children's rights will be affected by the proposal? No children's rights will be affected

Explain how the children's rights selected above will be affected:

Children's rights and wellbeing screening assessment

What impact do you think there will be to children's rights and wellbeing? No impact

Is a Full Impact Assessment required? No

Data protection

Will your proposal involve processing personal data? No

Data protection screening assessment

What change will there be to the way personal data is processed? No personal data will be processed

Is a Full Impact Assessment required? No

Island and mainland rural communities

Does your proposal impact island and mainland rural communities? No

Island and mainland rural communities screening assessment

What impact do you think there will be to island and mainland rural communities? No difference

Is a Full Impact Assessment required? No

Climate change

Does the proposal involve activities that could impact on greenhouse gas emissions (CO₂e)? No

Does the proposal have the potential to affect the environment, wildlife or biodiversity? No

Does the proposal have the potential to influence resilience to extreme weather or changing climate? No

Provide information regarding your selection above:

Climate change screening assessment

Have you identified potential impact for any of the areas above or marked any as not known? No

Is a Full Impact Assessment required? No

Feasibility Review

Inverness Town House



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1. Executive Summary

1.1. Introduction

This report aims to identify and evaluate potential opportunities for The Highland Council (THC) regarding the future use of Inverness Town House (ITH).

ITH, a property asset of THC as custodian of the Inverness Common Good Fund (ICGF), has long served as a centre for civic activities and an administrative base for council services. However, in April 2023, it ceased to function as an administrative base. THC has noted that "*the Townhouse is an expensive property to own and operate ... there is a general consensus that the property is not being maximised either commercially or as a prominent civic building.*" Whilst it is important for ITH to remain a functional base for civic events, there is a need to explore how the building could be utilised more effectively in the future.

ITH is strategically located, offering good connectivity with local attractions and service hubs. It serves as a key focal point in the city and the external façade is frequently photographed by visitors. However, there is a noticeable disconnect between ITH and the city's local population and visitors.

During the research phase of this feasibility study, Savills engaged with key stakeholders representing THC, ICGF, local industry, community and trade groups. The outcomes of these engagements have been integrated into the recommendations of this study.

1.2. Property Appraisal

ITH is a Category A listed building situated in the heart of Inverness city's conservation area. A £7.4 million external renovation program, addressing significant structural and fabric deterioration, was completed in 2021.

Establishing workable re-uses for ITH is challenging due to site restrictions on all elevations and high levels of vehicular movement around the building. The site is bounded by Bridge Street to the north, Castle Street to the east, a car park to the south, and Castle Wynd to the west. The building spans a significantly sloping site and has undergone numerous extensions and alterations over the years, resulting in changes in level from front to back and upper storeys. Several sections are accessed by ascending and descending stairs, with a lift that only reaches level one.

The building's services have developed around a central local authority use, growing organically based on an aged system. There is no specific zoning for heat and power, which adds significant costs for servicing alternative uses requiring separated systems.

In developing our recommendations (see Sections Five & Six), we have considered these restrictions and worked with the level changes, aiming to preserve the more historic areas to the north while approaching the more recently altered southern spaces flexibly to maximize income potential. Any proposal must comply with Building Regulations while preserving the historic fabric. Although there may be compromises in the form of a Regulation 'relaxation' due to the Listing, this must not be presumed. On this basis, we have proposed what can reasonably be achieved within the limitations of the Building Regulations and Listing, and the overall costing in both the proposed alterations and the servicing, whilst striving to achieve a viable return.

1.3. Current Use Appraisal

The current uses of ITH can be summarised as follows:

- Reception
- Service Point
- Offices
- Civic
- Venue and room hire

Feasibility Review

Inverness Town House



Whilst ITH is an impressive building for many, it has developed a closed-door perception, with the general public (both locals and visitors) knowing little about it or believing it to be normally inaccessible unless by specific invitation. Until recently, there was virtually no readily available information about its purpose or interesting history. The recent development of a new website is acknowledged as a positive step in the right direction.

Following the relocation of THC employees in 2023, the majority of office space remains unoccupied, with an estimated 7,680 sq. ft. of vacant office suites across the four levels. This does not include various meeting rooms and small function rooms across the ground, first, and second floors.

The exterior façade, main entrance, stairwell, main hall, and chamber are all highly impressive yet very formal. While this formality can be a strength, it also limits the variety of events and audiences attracted to these spaces. The main hall is hampered by existing storage and stage, resulting in a loss of approximately 40% of the overall usable floor space. The chamber, though impressive, is severely limited in use due to the horseshoe-shaped table. The various meeting rooms are dated and uninspiring, with little modern technology (e.g., screens, webcams etc.), and are currently used infrequently.

Stakeholder engagement revealed a perception that ITH is not currently a suitable venue for corporate events, with specific feedback highlighting poor catering and slow response times to inquiries. Until recently, there was virtually no marketing or proactive sales presence. A new website has recently been created, and a specialist marketing consultant has been appointed for an initial period.

Like many other council buildings, ITH suffers from a public perception that council-owned venues are generally not the best in terms of event quality and delivery. Whether or not this perception is accurate, it needs to be addressed to effectively compete with commercially operated venues.

From the information provided by THC, the following headline information is noted in terms of recent financial performance:

	2021/2022	2022/2023	2023/2024
Rent	£227,637.49	£233,500.00	£68,631.46
Lettings	£7,542.88	£9,056.50	£10,003.50
Other misc. income	£0.00	£407.10	£747.50
Grants	£360,000.00	£0.00	£0.00
Total income	£595,180.37	£242,963.60	£79,382.46
Expenditure	£531,723.54	£197,423.79	£369,825.52
Profit/(Loss)	£63,456.83	£45,539.81	-£290,443.06

Included within the expenditure is the cost to facilitate civic events. For 2023/2024 this was £60,272.46. Such activities are funded via an annual ICGF grant budget. Taking this into consideration, based on the above headline figures, it is apparent that there is currently a circa £230,170.60 deficit.

1.4. Market Demand

Inverness is currently undergoing an exciting transformation as the main economic, service, and administrative hub for the Highland region, and a key transport centre for the wider Highland and Islands area. The Green Freeport initiative is a major investment opportunity for Inverness and its surroundings. Additionally, the reopening of Inverness Castle in 2025 is expected to be a transformative project for the city and the region. These are just two examples of the many developments and investments that are part of the Inverness Strategy, contributing to the city's transformation.

The vision for Inverness city centre, as outlined in the City Strategy, aims to create a vibrant, prosperous, unique, and attractive city centre that leverages its river setting. Key opportunities include enhancing the culture and night-time economy, supporting key sectors, and promoting community action.

Over the past decade, Inverness city centre has experienced significant growth and is poised for continued development. The local economy is expected to benefit from forecasted growth in tourism and high-tech industries. The population is projected to continue growing, driven by the city's high quality of life and economic opportunities.

Sustainable tourism is the second largest growth sector in the Scottish economy, accounting for a high share of total growth sector employment (32%) and businesses (22%). Since 2016, tourism employment growth has outperformed the growth sector average (+18% compared to +8%).

The Inverness and Loch Ness area has seen continued growth in visitor numbers, increasing by 22% on pre-pandemic levels to 1.7 million people in 2023, spending over 2.9 million nights and £371 million within the local area. Tourism is the largest sector of the economy across the wider Inverness area, with accommodation alone contributing over 25% to local economic activity and supporting over 5,300 jobs. In 2023, 34% of overnight visitors to Inverness were domestic, while 66% were international. 50% were repeat visitors. By comparison, Scotland as a whole attracts 74% domestic versus 26% international visitors.

The Inverness office market is divided between 'in-town' and 'out-of-town' spaces, each attracting different tenants. The City Centre has seen almost no new development or refurbishment in the past decade, resulting in a lack of high-quality office space. Typical office suites are around 1,000 sq. ft, with rental values ranging from £8-14 per sq. ft. Incentive periods usually offer 9-12 months rent-free for a 5-year lease.

Inverness benefits from a large catchment area and a loyal customer base due to the lack of nearby competing cities, with Aberdeen being over 100 miles away. However, the city centre faces competition from out-of-town retail parks that offer ease of access and free parking. The city centre also attracts many tourists visiting the Highlands and Islands. Despite this, the rise of online retailing has led to an overprovision of retail space, resulting in vacancies. The food and beverage (F&B) sector is scattered around the city centre, with prime locations near the river and the Victorian Market on Academy Street. While there are some national chains, local operators dominate the F&B market. Castle Street, a secondary retail pitch, is home to several well-known restaurants and bars, mainly catering to tourists. The east side of Castle Street is more popular due to higher footfall and more retail units. Rents on Castle Street are much lower than the High Street, with very few recent letting comparables.

As part of the analysis of alternative uses at ITH, a review of comparable properties was conducted. There is a preference for a mixed-use development, comprising ongoing civic requirements, community access, and commercial generation. Such uses can help maximise the utility of the town hall and foster a stronger sense of community. Details of comparable properties are included in **Appendix One**.

1.5. Options Analysis

A variety of potential uses have been evaluated (see Section Five) and are summarised below. In assessing the viability of potential future use(s), it is understood that the building must continue to provide a base for a range of civic events and meetings to take place throughout the year.

Considerations

- Offices
- F&B
- Hot desk / meeting room hire
- Creative space
- Visitor information
- Self-catering apartments
- Visitor attraction
- Venue hire / ticketed events
- Community events
- TV/Film location

Discounted

- Hotel
- Residential
- Service Point
- Retail

1.6. Vision and Objectives

Based on the market/site appraisal and outputs of the stakeholder engagement, set out below is a recommended vision for ITH:

To take the opportunity of The Highland Council relocating the majority of their employees from Inverness Town House to create a sustainable and viable future for the building whereby it covers its own costs whilst being embraced by locals and visitors alike as an established destination for a variety of events, civic functions and community initiatives.

The following objectives follow from the above vision:

1. Contribute towards the Inverness Strategy Outcomes of a) Prime Destination, b) Living Working City and c) Digital City
2. Cover its own costs, with any surplus reinvested back into the building to ensure its longevity for the people of Inverness
3. Provide welcoming and attractive spaces for a range of different event types (private, corporate, ticketed)
4. Host a variety of civic functions and activities
5. Alleviate the existing lack of family friendly evening entertainment in the city centre
6. Support community spirit and the cultural life of the city – including provision of indoor performance and exhibition space for music, comedy, and the arts to strengthen the economy, tourism offering and to provide a safe space to gather as a community for a variety of events
7. Support opportunities for development of co-working and/or creative space

1.7. Building Configuration

Looked at as a whole, it is highly challenging to develop a single viable use for ITH. The building was designed for a very specific purpose that is now largely redundant, namely hosting a range of civic events and providing office accommodation for council departments.

It is proposed to retain the existing building envelope in its current form with no significant external alterations or additions. On this basis we have identified several zones within the property that naturally group together in terms of access and flow, style type, structure, and versatility. These areas are shown on the drawings (**Appendix Two**) with zonal colours for ease of reference, detailed as follows:

Zone One (Pink): The original 1882 north section with main entrance onto Bridge Street, housing the grand staircase, public hall, and chamber, collectively forming the civic area, is to be retained as one collective zone. This progresses to a number of ancillary rooms which assist in allowing the civic hall to work, whilst providing a space for the provost, meeting rooms and storage over all three levels.

Zone Two (Blue): The more recent building annexed in 1904 is a single rectangular unit which extends up from the ground floor with access from Castle Street to a central stair well which rises through all three levels above. This zone has been previously gutted and fitted out to form office units and is the most versatile section of the building.

As this zone has very little original internal fabric, with numerous alterations, further development should be possible, to include a full strip out and re-fit over all floors. This would need to be supported through the Planning process, working closely with the local Conservation Officer.

Each level has a fire escape to the south end and, although the window fenestration is compromised, additional daylight can be introduced through carefully positioned apertures and roof mounted skylights, such as Velux style windows. This opens up the blue zone to varied changes of use.

Zone Three (Red): This is a self-contained section with direct access onto Castle Wynd currently occupied and leased as offices to the Police.

Zone Four (yellow): Although part of the original baronial section, this area works together as a collective unit formed with four double height interlinked spaces, with direct access from Castle Street and the main entrance.

Zone Five (green): This is a small self-contained unit with good direct access to Castle Street and links through to the remaining building to the north side.

Zone Six (purple): A collection of rooms to the west side, which link through to the pink civic zone but has no direct access other than a shared access through the red zone onto Castle Wynd and an indirect access to the main entrance on Bridge Street. Currently used as a central security point with offices for the business support team.

1.8. Financial Analysis

1.8.1. Capex

Proposed works have been costed on a sqm rate for alterations and changes of use across the individual zones. All costings include Professional Fees, but exclude VAT.

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Option One Summary (self-catering apartments in blue zone)

Zone	Total Area	Total Cost (ex VAT)
Pink	640.00	£482,400.00
Blue	919.00	£1,870,752.00
Red	184.00	NA
Yellow	135.00	£129,600.00
Green	77.00	£66,528.00
Purple	180.40	£43,296.00
Total		£2,592,576.00

Option Two Summary (offices in blue zone)

Zone	Total Area	Total Cost (ex VAT)
Pink	640.00	£482,400.00
Blue	919.00	£1,307,148.00
Red	184.00	NA
Yellow	135.00	£129,600.00
Green	77.00	£66,528.00
Purple	180.40	£43,296.00
Total		£2,028,972.00

1.8.2. Income

Annual income for the last full financial year (2023/2024) was £79,382.46. Income potential from the uses proposed within this report can be summarised as follows:

Option One (self-catering apartments)

Pink	£156,180.00
Blue (ground floor)	£25,000.00
Blue (1/2/3 floors) *	£96,000.00
Red	£4,500.00
Yellow	£16,152.46
Green	£15,000.00
Purple	£0.00
Total	£312,832.46

*Assumes apartments are let to a third-party operator.

Option Two (offices)

Pink	£156,180.00
Blue (ground floor)	£25,000.00
Blue (1/2/3 floors) *	£65,492.05
Red	£4,500.00
Yellow	£16,152.46
Green	£15,000.00
Purple	£0.00
Total	£282,324.51

1.8.3. Operating Costs

Annual costs for the last full financial year (2023/2024) were £369,825.52, resulting in an annual deficit of £290,443.06. Of this, £60,272.46 is attributable to ICGF grant funded civic events.

In addition, it is noted that £87,221.30 of the expenditure is attributed to rates. ITH currently has a single ratable value for the entire property.

Based on comparable examples and conversations with other local authorities who have recently undergone a similar exercise with their civic properties, it is considered that a break even scenario, whereby ITH covers its own costs, is possible and will likely take up to three years to achieve following the implementation of the core recommendations within this report.

1.8.4. Return on Investment

A simple return on investment is set out below, per zone, for the areas that are recommended to be leased to third parties.

A viable return on investment for the proposed room hire / events / civic use (pink zone) will not be possible due to the operating costs involved in such uses. However, such investment (in addition to operational changes being implemented) is necessary in order to enable a significant uplift in income generation from the status quo, allowing fixed operating costs to be covered and negating the existing significant annual deficit. Such investment will also allow ITH to fulfil additional objectives (as set out at Section 1.6), notably continuing to facilitate civic requirements and providing a central venue for a range of community events.

Zone	Income	Capex	ROI
Pink (office rental)	£13,430.00	£89,633.50	14.98%
Yellow (office/creative space rental)	£16,152.46	£129,600.00	12.46%
Green (F&B rental)	£15,000.00	£66,528.00	22.55%
Blue (ground floor)	£25,000.00	£188,352.00	13.27%
Blue (1/2/3 floors, self-catering apartments)	£96,000.00	£1,672,400.00	5.74%
Blue (1/2/3 floors, offices)	£65,492.05	£1,118,796.00	5.85%

1.9. Operations

Operating considerations are set out in section eight and are summarised as follows:

The **self-catering apartments** (blue zone, floors 1/2/3) could be operated through various structures: in-hand operation, management agreement, joint venture, or lease. It is recommended that an experienced third party operate these apartments. A soft market testing exercise should be conducted to fully assess operator interest and preferred models.

THC could oversee the various proposed **leased areas** as a landlord. For optimal use of the blue zone (ground floor) and/or green zone, involving the Victorian Market manager in tenant assessment and lease compliance is recommended.

The pink zone (**civic, events, venue/room hire**) could be operated in-hand or via a third-party service agreement. A lease is not viable for this zone due to lack of market appetite and inconsistency with key objectives.

- **In-Hand Operation:** The success of the Victorian Market highlights the importance of an experienced commercial manager for ITH. A core team including a venue manager, event planner/manager, and facilities coordinator is essential. Marketing could be outsourced, and collaboration with the Victorian Market should be explored.
- **Third-Party Operation:** HLH is a strong candidate to operate ITH's public-facing elements, given their experience with THC-owned buildings. This option should be explored for efficiency and profitability, despite potential governance challenges. Collaboration with HLH should be considered, but immediate implementation may be unlikely until the Castle reopens, and demand is proven.

Operational enhancements to the status quo of event / venue hire promotion and delivery are also included at section eight.

Overall, collaboration and experienced management are key to the long-term success of ITH.

1.10. Summary and Recommended Next Steps

This study has identified that there is a viable opportunity for ITH to achieve financial self-sustainability through a variety of complimentary uses. ITH should be considered in distinct zones rather than as a single building, as no single viable use exists. While the income potential is modest, ITH should be able to cover its direct costs, ensuring its future viability as a valuable and welcoming community asset for both locals and visitors.

Key factors for success include:

- Investing in the internal fabric to meet modern requirements and expectations, while respecting ITH's rich heritage.
- Hiring an experienced operator, either through the appointment of a skilled commercial venue manager or a third party such as High Life Highland.
- Engaging meaningfully with local stakeholders, listening to their insights, and implementing changes as needed to generate buy-in and support for ITH as a commercial venue and community space.

To realise the potential as set out in this study, the following next steps are recommended:

- THC to review recommendations and provide feedback
- Based on such feedback, Savills to create recommended project plan with key requirements and timelines, to likely include the following:
 - Key options identified and agreed
 - Refinement of ITH vision/objectives in relation to preferred options
 - Proposed phased development schedule created
 - Soft market testing for proposed leased areas
 - Appointment of project manager (or equivalent)
 - Develop plans to RIBA Stage 3
 - Identify project budget and fundraising strategy
 - Develop business plan
 - Update project risk register
 - Prepare responsibility matrix setting out each member of the project team and their responsibilities
 - Arrange for further surveys including up to date measured building survey and test options against results
 - Conduct any required intrusive building investigations - including removal of floor / wall finishes, below ground investigations to determine foundation condition, drainage surveys, etc.
 - Decide on operating model and then either recruit / engage with third parties

2. Introduction

2.1. Instruction

Savills (UK) Limited (Savills) has been instructed by The Highland Council (THC) to produce a Feasibility Study for Inverness Town House (ITH). The project specification is detailed below:

The Specification

The Townhouse is an expensive property to own and operate ... There is a general consensus the property is not being maximised, either commercially or as a prominent civic building ... The Council wishes to commission a feasibility study which will focus on the following:

1. ***Options for the use of the building***, potential commercial options for the building both that could operate alongside the civic role and also options which could see a change in direction which could see structural change to parts of the building to accommodate different uses.
2. ***Undertake engagement with stakeholders***, on the potential uses of the building.
3. ***Understanding the market*** – what is the commercial environment for the potential options, what could be the potential income and costs involved
4. ***Identifying the requirements*** – what would be required in order to deliver/ operate each of the commercial options identified in terms of:
 - a) Structural changes required
 - b) Interdependencies
 - c) Permissions/licenses etc
 - d) Operational delivery model
5. ***Deliver an outline business case*** – to include potential capital costs and revenue implications for the options identified and how the development could be phased over time.

A site inspection was undertaken by Savills on the 21st of January, with a secondary visit on the 17th of February, inclusive of stakeholder engagement sessions.

2.2. Context

ITH is a property asset of THC as Custodian of the Inverness Common Good Fund (ICGF) and is administered by the Council. It is located in the centre of the 'capital of the Highlands' next to the refurbished Inverness Castle, which is soon to become a major visitor attraction. For many years ITH has operated as both a centre for civic activity as well as an administrative base for THC Services. In April 2023, it ceased to be an administrative base for THC.

ITH has seen significant investment in its infrastructure following the £7.4M renovation project. WIFI has been installed at a cost of £0.98m and non-structural works have been undertaken to enable occupation by a number of third-party tenants to the rear of the building.

Whilst it is important that ITH remains a fully functional base for Civic events, there is a need to consider how best the building could be used in the future. To progress this, Savills has been instructed to develop a feasibility study that considers a range of options, including the functions and uses, market sectors and interest.

2.3. Location

ITH is situated in the heart of the historic quarter of the city of Inverness. The property is accessed from both Bridge Street and Castle Street.



ITH Location. Source: The Land App

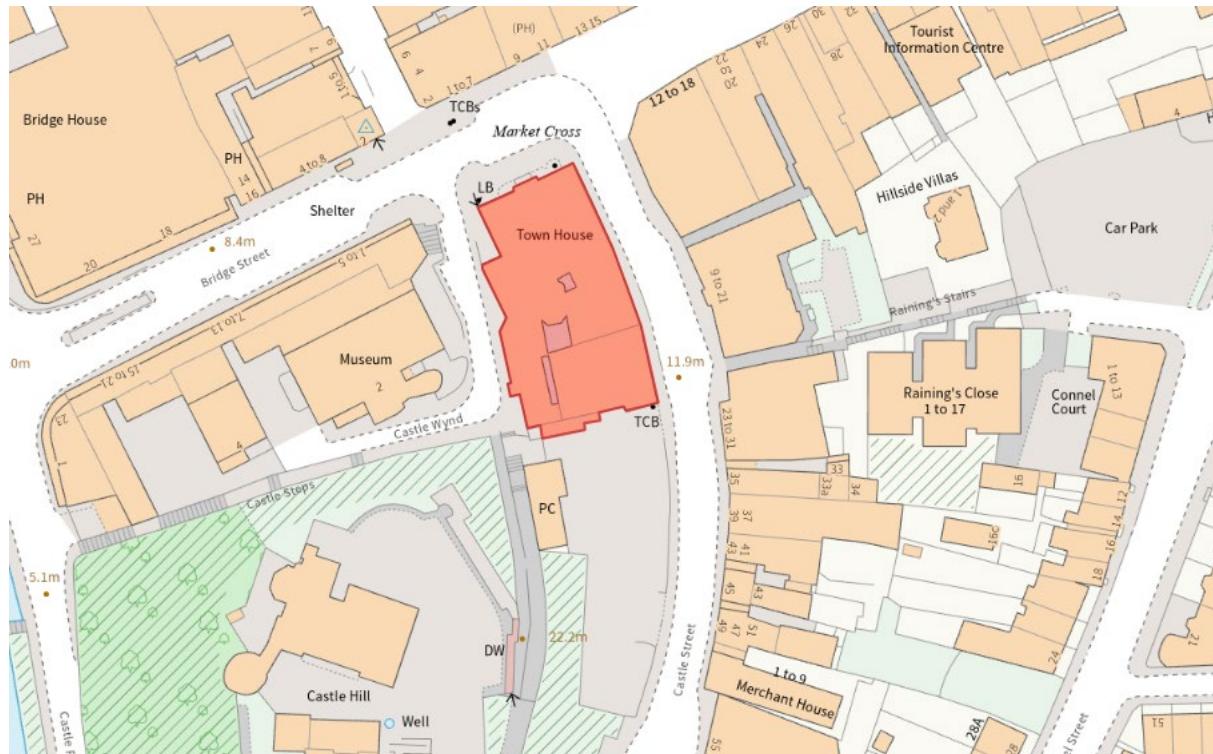
In terms of proximity to local services and attractions, the following are noted:

- Inverness Castle <0.1 mile
- Inverness Museum & Art Gallery <0.1 mile
- Victorian Market 0.1 miles
- Inverness Train Station 0.2 miles
- Inverness Bus Station 0.3 miles
- Uile-Bheist Brewery & Distillery 0.3 miles
- Eden Court 0.4 miles

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ITH Site Plan. Source: The Land App

ITH is well situated in terms of connectivity with local attractions and service hubs. The building serves as a key focal point in the city and is often photographed by passing visitors.

However, it is apparent that there is currently a disconnect between ITH and the city (local population and visitors). The front façade of the building is highly impressive and engaging. During site inspections it was evident that visitors stop and take a picture of the building. However, there is little information available as to its use or rich history. Similarly, through the stakeholder engagement it is apparent that locals do not feel the building is part of the community, with the imposing front door only open during individual events. For the remainder of the time, the property appears to be closed and generally unwelcoming.

ITH, Inverness Castle and Inverness Museum are positioned within close proximity of each other. Access to the museum is from Castle Wynd. It is understood that access to the Castle will be via Castle Wynd and Castle Street. High Life Highland (who currently operate the Castle and Museum) have confirmed that they plan to improve the connection between the Castle and Museum. During the stakeholder engagement it was clear that there is no current discussion to include ITH in this, as it does not form part of HLH's portfolio.

Whilst there is potential to benefit from this positioning, with the castle to be a cornerstone of the major redevelopment of the Castlehill area, it is recognised that ITH's current and future resilience cannot purely rely on the connection of 'place.' Success will come through the identification of its own future as a destination in its own right, which complements and interlinks with the cultural and historic focal point of the city, whilst celebrating its own past and importance.

2.4. Stakeholder Engagement

As part of the research phase of this feasibility study, Savills engaged with the following stakeholders:

1. Councillor Ian Brown, City Leader
2. Councillor Glynis Campbell-Sinclair, Provost
3. Councillor Alex Graham, Chair of the ICGF Sub-Committee
4. Depute Provost of Inverness and Area Cllr Jackie Hendry
5. Depute Provost of Inverness and Area Cllr Morven Reid
6. David Haas, THC Senior Community Development Manager
7. Mark Greig, THC, Community Support & Ward Manager
8. Scott Taylor, THC, Civic and Facilities Team Leader
9. Kenny Forbes, THC, Estates
10. Paula Betts, THC, Common Good Fund Officer
11. Cameron Macfarlane, THC, Victorian Market Manager
12. Audrey MacIver, Highlands & Islands Enterprise, Area Manager
13. Fiona Hampton, High Life Highlands, Project Director Inverness Castle
14. Rebecca Holt, Eden Court, Chief Executive
15. Catherine MacNeil, WASPS, Property & Facilities Manager
16. Lorraine Bremner, Inverness BID, Board Director
17. Tony Story, Visit Inverness Loch Ness, Joint Chair
18. Colin Marr, Inverness Chamber of Commerce, Chief Executive
19. Michael Golding, Association of Scottish Visitor Attractions, Chief Executive & Chair of High Life Highland
20. Jo-Ann Clark, Spey Designs

Stakeholder engagement has included in person meetings, a facilitated workshop and follow up video calls with individuals. The key outcomes of the engagement have been woven into the recommendations contained within this study and can be summarised as follows:

2.4.1. Perception

- Grand entrance and impressive main hall
- General perception that Town House is not available / closed door policy
- Need to be open / accessible
- Important history, especially in Chamber Room
- ITH was much more accessible in the 1980's, when it would be open most weekends for a variety of fayres etc.

2.4.2. Status Quo

- Building configuration makes servicing events difficult
- Capacities restricted due to size/configuration of venue spaces
- The building is not well configured for full day weddings
- The building is very formal and masculine in appearance; it is not overly welcoming
- Catering selection very poor
- Slow response time to enquiries / follow up questions
- Stage is very large and too high

2.4.3. Market Demand

- Limited conference demand / serviced by existing venues/hotels
- There is a shortage of things to do in the evening in the city centre, especially for families
- Meeting room hire is not a significant opportunity
- Despite the trend for offices in business parks, there is evidence of firms recently looking to return to the city centre

2.4.4. Opportunities

- ITH is well positioned to provide a varied event programme
- Excellent city-centre location
- Collaboration with Castle (and operators HLH) essential for any visitor attraction offer at Town House
- Visitor attraction, promoting the story of Inverness (rather than wider Highlands as is the case with the Castle)
- Small office suites with flexible lease terms

2.5. SWOT Analysis

Strengths	Weaknesses
Prime City Centre location	Current quality of event quality / catering (public perception)
Proximity to popular attractions	Internal condition and layout
Proximity to train & bus stations	Limited parking provision
Condition of external building fabric	Modest size of main function room
Commanding, attractive external façade	Limited existing storage space
Rich and interesting history	Single electricity meter
Variety of meeting rooms and venue spaces	Operational costs
Opportunities	Public perception / closed door persona
View the property in distinct zones rather than one interconnected building	Lack of current commercial vision
Capitalise on the street presence along Castle Street	Existing tenancies (may hamper development)
Introduce street facing F&B retail element (leased)	Category A listing
Repurpose existing offices into either higher quality, fit for purpose office units, or repurpose space to create self-contained short term let apartments	It may not be possible to fully comply with all Equality Act legislation for all areas of the facility
Develop hot desking / meeting rooms for hire	Threats
Develop incubator space for artists and crafters, with design studio, workshop and gallery area (explore opportunities to partner with art schools)	Limited commercial market demand
Upgrade civic facilities, implement new operating structure and promote multi-purpose civic and commercial venue	High cost of interior refurbishment
Collaborate with local businesses, stakeholder and networks to position ITH as destination of choice for events	Building control, planning (change of use), heritage restrictions
Change the closed-door perception through improved visibility / accessibility	Cost of operating
Contribute to regeneration of City Centre	Public perception towards expenditure
Provide a dedicated information space for visitors to the city	Public negativity over relocation of Service Point

3. Review of Status Quo

3.1. Property Description

ITH is a category A listed building located in the heart of the Inverness city conservation area, to the east of the River Ness. Constructed in the Flemish-Baronial style in 1878-82, as a replacement of the previous Town House of 1708 on the same site. The architects were appointed in 1876 following a competition and the building extended further in 1904.

The property comprises of a sandstone ashlar building with front and centre facing principal elevations. The north section extends over two tall storeys with attic level, whilst the more recent extension to south, by James R Rhind in 1904, follows the original style with frontage onto Castle Street (three-storey section with shops originally at ground floor).

Features include a notable interior to the original north section, with groin-vaulted vestibule leading to the staircase, lit by stained glass windows (by Adam & Small, Glasgow); the public hall with panelled and painted ceiling and stained glass windows and the Council Chamber, which were enlarged by John Hinton Gall in 1894, with stained glass commemorative of the Diamond Jubilee, designed by J H Stewart, executed by William Meikle & Son, Glasgow; 1898.

ITH was the venue for the first British Cabinet meeting to be held outside London on 7 September 1921. King George V also attended the cabinet meeting in 1921 and then returned to the Town House in 1929 to be presented with the freedom of the City of Inverness.

ITH served as the headquarters of Inverness Burgh Council until the 1960's when the council moved to new buildings on Glenurquhart Road; from this point, the building continued to host civic functions, chamber meetings and provide office accommodation for various THC departments. To the rear of the building is a THC owned car park, with spaces for approximately 40 vehicles.

A £7.4 million external renovation programme, to address significant structural and fabric deterioration, was completed in 2021.

In April THC relocated the majority of its staff from ITH to Glenurquhart Road. This led to a significant drop in revenue for the ICGF as 'Rent' of £200,000 and associated building operating costs then became payable by the ICGF.

3.2. Current Uses

The current uses can be summarised as follows:

- Reception
- Service Point
- Offices
- Civic
- Venue and room hire

A brief description of each is set out below.

3.2.1. Reception

There is a reception point, accessible from Castle Street. The existing lift from ground floor to first floor is accessed from this zone. There is also access into the Service Point and to the suite of currently vacant offices (ground floor, adjacent to Castle Street). There is also a small meeting room at the rear of this space. It is understood that this is let on an ad-hoc basis for Social Security Scotland to host meetings.

The reception is staffed by a THC employee during normal working hours, Monday to Friday. General public enquiries are redirected to the neighbouring Service Point, via a separate external entrance. Following the April 2023 relocation of THC employees, it is unclear what purpose this reception point continues to serve.

3.2.2. Service Point

The Inverness Service Point (THC facility) is located on the ground floor, with access from Castle Street. The Service Point is comprised of a large open plan area with desk partitioning, male, female and disabled WCs, a kitchenette, three meeting rooms and a staff room. There is also a secondary access that leads into the car park.

There is an annual rent of £23,000 which equates to approximately £9.33 per square foot.

3.2.3. Offices

Due to ITH's historic use, there are a variety of office suites across all four levels. The majority are now vacant, with the exception of the following:

- **ITH Facilities Team:** occupy space on ground floor and single office on first floor
- **Police Scotland:** occupy contained suite (comprising 3 small offices, meeting room and kitchenette) on first floor with stair access from Castle Wynd; annual lease; £4,500 per annum
- **Hitrans:** occupy 3 adjacent offices on second floor; 5-year lease; £17,000 per annum
- **Social Security Scotland:** occupy single small office on second floor; annual lease; £3,960 per annum
- **Ream Properties:** occupy office space on third floor; 3-year lease, tenant can break after 1-year; £8,000 per annum
- **Larsen & Ross Group:** occupy office on second floor; 3-year lease, tenant can break after 1-year; £6,000 per annum
- Total annual rent (including Service Point) £62,460

3.2.4. Civic

Civic use can be categorised as meetings and events. From the information received, the following key points are noted:

Civic Meetings

- 20 x Civic Hospitality (Provost) meetings for year 2024-2025
- 19 x Common Good meetings for year 2024-2025
- 6 x 'other' meetings/events listed as FOC for year 2024-2025
- There is also a dedicated office for the Provost in ITH; this is currently on the first floor however, it is understood that traditionally the provost's office was on the ground floor

Civic Events

- 24 x civic functions per annum (three-year average)
- Average annual cost of such events is £60,081 (average across last full three years)
- Events include awards ceremonies, armed forces events, Kirking, Remembrance Sunday etc.

3.2.5. Venue Hire

Various rooms within ITH are available to hire as venue/meeting space. A new [website](#) for ITH has recently been created. To support the internal team, [Spey Design](#) have been awarded a short term contract to assist with marketing / promotion of ITH.

Income from venue and meeting space hire can be summarised as:

Year (April to March)	Income
2021-2022	£5,562.00
2022-2023	£9,801.50
2023-2024	£12,380.00
2024-2025*	£25,714.00

*Up to 31/12/24

Looking specifically at 2024/2025 the following headline points are noted:

- 117 bookings (17 weddings)
- 55 no charge / civic event
- Charged events ranged from £56.25 to £4,400
- 41 bookings under £250
- 10 bookings between £251 and £500
- 5 bookings between £501 and £1,000
- 4 bookings above £1,001

Events hosted at ITH include, for example:

- Comedy Club nights (£500)
- Tourism Dinner (£420)
- UHI Graduation (£785)
- Music concerts (£830)
- Election count (£1,200)
- BBC Debate Night (£2,088)
- Burns Night (£844)

ITH has a Public Entertainment Licence:

- Permits public entertainment between the hours of 0800 and 0000
- Valid until 24/04/26
- Use of the premises by public for money is restricted to discos, dances, musical performances, concerts, entertainment/variety shows and the performance of plays
- Restricts main hall to x 200 people (standing), chamber to x 40 people and first floor committee room to x 16 people

ITH has a Premises Licence (sale of alcohol):

- Runs indefinitely unless revoked Covers ground floor foyer and suite and civic reception rooms on ground and first floors (refer to licensing plan for detailed information on licenced area)
- Permits on and off sales (by way of souvenir or commemorative bottlings)
- On sale consumption daily between 1100 and 0100

3.3. Financial

3.3.1. Room Hire Charges

Weddings

- Main Hall £220 per hour
- Chamber £180 per hour
- Members Lounge £120 per hour

Commercial (non-wedding)

Working Hours (0900-1700)

- Hall or Chamber £50
- Committee Room £40
- Committee Room when hired with Hall or Chamber £20

Out of working hours

- Hall or Chamber £100
- Committee Room £50
- Committee Room when hired with Hall or Chamber £30

It is understood that the current pricing is being reviewed, with a circa 15-20% increase to be applied.

Based on comparable properties, it is considered that the current pricing is low. Recommended pricing is set out at Section 6.3, based on the improvements recommended within this report being implemented.

3.3.2. Income & Expenditure

From the information provided by THC, the following headline information is noted:

	2021/2022	2022/2023	2023/2024
Rent	£227,637.49	£233,500.00	£68,631.46
Lettings	£7,542.88	£9,056.50	£10,003.50
Other misc. income	£0.00	£407.10	£747.50
Grants	£360,000.00	£0.00	£0.00
Total income	£595,180.37	£242,963.60	£79,382.46
Expenditure	£531,723.54	£197,423.79	£369,825.52
Profit/(Loss)	£63,456.83	£45,539.81	-£290,443.06

Included within the expenditure is the cost to facilitate civic events. For 2023/2024 this was £60,272.46. Such activities are funded via the ICGF grant budget.

Based on the above headline figures, it is apparent that there is currently a circa £230,170.60 deficit.

3.3.3. Current Staffing Structure

The following breakdown on existing staffing structure has been provided by THC:

- 1 x Senior Community Development Manager (HC13)
- 1 x Team leader/Civic Officer (HC07)
- 2 x 2FMA/Civic Officer (HC05)
- 1 x Admin (HC05)
- 1 x Provost Secretary (HC06)
- Additional admin support as required

It is understood that the existing structure is largely based on the historical use of ITH as a civic venue and council offices. THC recovers part of the costs of providing support and leadership to the ICGF via a recharge to the ICGF within the annual ICGF Budget agreed at the City of Inverness Area Committee, prior to each financial year.

To support the in-house team, Spey Design have been contracted on a short-term basis to provide specialist marketing support. It is understood that their remit is to raise the profile of ITH as a venue for weddings, corporate events and meeting room hire.

It is considered that the existing structure does not have the requisite experience to fully drive ITH in a commercial manner. Operating requirements to achieve full potential are considered in Section Eight.

3.4. Status Quo Appraisal

3.4.1. Building Appraisal

ITH is a challenging property to establish workable re-uses. The site is restricted on all elevations, with high levels of vehicular movement around the north onto Bridge Street, the east onto Castle Street, with a car park sited to the south and the west bound by Castle Wynd.

The property has an overall protection of the highest level in a Category A Listing (of national and potentially international importance). The Listing covers the whole building, internally and externally, including the site and setting. The building is challenged in terms of siting in that it stretches across a significantly sloping site and has been extended and altered many times over the years, with changes in level from front to back and upper storeys also reflecting changes in level, with several sections accessed by an ascending and descending stair arrangement, with a lift which only accesses level one.

The services within the building have been developed around a central local authority use, which has grown and extended organically, based on an aged system. There is no specific zoning of heat and power, which adds significant cost in servicing an alternative use which requires separated systems.

In developing our recommendations (see Sections Five & Six) we have taken these restrictions into account and worked with the level changes, seeking to preserve the more historic areas to the north whilst approaching the more recent and most historically altered southern spaces in a flexible manner, proposing a more altered arrangement to maximise income potential.

Any proposal must consider all the statutory consents required in advance. Early liaison with the local authority Conservation Officer (and Historic Environment Scotland) is essential to the success of any development which includes a change of use and / or fabric and structural alterations to a Listed building. A viable re-use proposal to adapt a historic building to secure a long-term future will be supported, if undertaken sympathetically.

Listed Building Consent, Planning and Building Warrant will all be required for the proposals where there is a change of use or alteration. The design process for any of the identified zones must take into account how the use integrates with the wider building and zone uses, in terms of access, facilities, services, fire separation and exits. The zones could be designed and consented in isolation by various design teams or as part of a phased development, however there must be a level of procurement oversight for the development as a whole, to manage the transition successfully through the pre-construction and construction phases. We strongly recommend that one central point of contact with the required level of experience, whether client agent or project manager, should be appointed at an early stage.

There will be challenges in working through the statutory consent process and although there may be compromises in the form of a Regulation 'relaxation' due to the Listing, this must not be presumed. On this basis, we have proposed what can reasonably be achieved within the limitations of the Building Regulations and Listing, and the overall costing in both the proposed alterations and the servicing, whilst striving to achieve a viable return.

3.4.2. Current Use Appraisal

General

Whilst for many people ITH is an impressive building, it is also apparent that it has developed a closed-door perception, whereby the general public (both locals and visitors) know little about it / believe it to be generally inaccessible unless by specific invitation.

Until recently, there was virtually no information readily available as its purpose or interesting history. It is acknowledged that the recent development of a new website is a positive step in the right direction.

Whilst there is good street frontage along Castle Street, this is not exploited. The reception sits behind a closed door, there is little in the way of information/signposting and the interior is dated. The Service Point sits behind closed blinds with a SIA accredited officer positioned at the entrance. Whilst it is acknowledged that there is a need for both privacy and security, this does little to lift the perception the building has developed.

Civic / Events

The exterior façade, main entrance, stairwell, main hall and chamber are all highly impressive. However, they are also very formal. Whilst this can be a strength, it must also be recognised as a potential weakness, limiting the variety of events/audiences that will be attracted to these spaces.

The main hall is hampered by the existing storage and stage, resulting in a loss of circa 40% of the overall floor space. The Public Entertainment licence permits 200 people (standing) however, this cannot currently be achieved. The Chamber, whilst impressive, is severely limited in its use due to the horseshoe shaped table. The various meeting rooms are dated and uninspiring. There is little in terms of modern technology (e.g. screens, web cams). These rooms are currently used very infrequently. The event furniture (not including historic items) is dated.

From the stakeholder engagement, it is apparent that there is a perception that ITH is not a good venue to host corporate events at. Specific feedback includes the poor catering and slow response times to enquiries.

Until very recently, there was virtually no marketing or proactive sales presence. A new website has been created and a specialist marketing consultant appointed for an initial period.

ITH, like many other council buildings, also suffers from a public perception that council owned venues are generally not the best in terms of event quality / delivery. Whether or not this is true, it is a perception that needs to be addressed in order to effectively compete with commercially operated venues.

Vacant Space

Following the relocation of THC's employees in 2023, the majority of office space remains unoccupied. It is estimated that there is currently c.7,680 sq. ft. of vacant office suites across the four levels. This does not include the variety of meeting rooms and small function rooms across the ground, first and second floors.

Where individual office spaces are leased to third parties, it is understood that until recently most agreements were on an informal basis. It is further understood that certain tenants are utilising additional space(s) not included in their agreement.

The existing office accommodation is currently in poor to fair condition. It is generally of grade C specification and features a mix of open plan and cellular accommodation throughout. The offices feature a basic specification of dated carpet tiles and suspended ceiling tiles, some of which are damaged. Lighting is provided via a mix of category two lighting and LED panels. Heating throughout all of the office suites is provided from gas fired boilers located around the building via wall mounted radiators within the suites.

Across the office portion of the building there are a number of smaller meeting rooms which have previously served the larger tenants of the building and continue to service current tenants. These rooms are likely too small to let as individual offices, however, could be let as part of the larger office suites within the building. Alternatively they could serve a purpose as fitted meeting rooms which can be hired by the hour for additional cost or included within the rent to increase attractiveness.

Strategy

There appears to be little in the way of strategy or commercial focus. A detailed budget, either for recent years or future projection does not appear to exist. This statement and the wider critique within this section are caveated by the following acknowledgement:

- It is considered that the existing team have done a good job given such challenges and their limited experience in commercial venue operations. The recent developments are positive.
- It is acknowledged that the lack of strategic direction is recognised by THC hence the instruction for this feasibility review

4. Market Appraisal

4.1. Executive Summary: Market Demand in Inverness

A detailed analysis of the market and comparable properties is included at [Appendix One](#).

4.1.1. Policy & Strategy Context

Inverness is currently experiencing an exciting phase in its development as the primary economic, service, and administrative hub for the Highland region, as well as a key transport centre for the wider Highland and Islands area. The Green Freeport initiative represents a significant investment and opportunity for both Inverness and the surrounding region. Additionally, the reopening of Inverness Castle in 2025 is set to be a transformative project for the city and the region. These are just two examples of the many ongoing developments and investments that form part of the Inverness Strategy, which are contributing to the city's transformation.

The vision for Inverness city centre (as set out in City Strategy) aims to ensure a vibrant, prosperous, unique and attractive city centre that exploits its river setting. Key opportunities include enhancing the culture and night-time economy, supporting key sectors, promoting community action, and improving transport and housing.

Key Outcomes

The strategy outlines six high-level outcomes:

1. **Prime Destination:** Enhancing commercial street frontages, promoting the evening economy, and strengthening cultural venues.
2. **Living, Working City:** Supporting community spirit and revitalizing vacant spaces.
3. **Green and Healthy City:** Improving green spaces and biodiversity.
4. **Zero-Carbon City:** Leading in renewable technologies and achieving a zero-carbon transport network.
5. **Accessible and Connected City:** Enhancing connectivity for passengers and freight.
6. **Digital City:** Supporting remote working and integrating smart city applications.

In relation to ITH, it is considered outcomes one, two and six are of most relevance.

4.1.2. Inverness & Cromarty Firth Green Freeport

The Green Freeport initiative is expected to create 11,300 new jobs and attract £6.5bn in investment over the next 25 years, significantly impacting housing and commercial space demand.

4.1.3. Inverness Castle Experience

The redevelopment of Inverness Castle aims to create a significant tourism asset, offering a variety of events and experiences to attract both locals and visitors. The Inverness Castle Visitor Experience is expected to attract around 500,000 visitors per annum. The Castle Experience will include general ticketed admissions, bespoke tours, events, retail and food & beverage provision.

The development of Inverness Castle is a THC project, managed by High Life Highland (HLH) on behalf of THC. THC leads the project as part of the Inverness and Highland City-Region Deal (CRD) and is one of fifteen projects funded through the Deal.

HLH manages the project on behalf of the THC. HLH is a charity registered in Scotland, a company limited by guarantee and wholly owned by THC. HLH is one of the leading organisations in Highland for developing and promoting opportunities in culture, learning, sport, leisure, health and wellbeing. For context, Eden Court Theatre leads on these aspects in relation to music and theatrical performances.

4.1.4. Local Market

Inverness city centre has experienced significant growth over the past decade and is poised for continued development. The local economy is expected to benefit from forecasted growth in tourism and high-tech industries. The population is projected to continue growing, driven by the city's high quality of life and economic opportunities.

The future outlook is positive, with strategic plans in place to support sustainable growth and enhance the quality of life for residents. Headline information on the local population (45-minute drive time) of Inverness is noted below:

- **Population:** 152,269
- **Social Grades:** C1 (30.10%), C2 (25.88%), DE (25.29%)
- **Household Income:** Higher representation in £30,000-£69,999 bands
- **Age Distribution:** Over 55 (56,648), under 15 (22,632)
- **Top Mosaic Groups:** Rural Reality, Country Living, Aspiring Homemakers

4.1.5. Visitor Market

Sustainable tourism is the second largest growth sector in the Scottish economy. It accounts for a high share of total growth sector employment (32%) and businesses (22%). Since 2016 tourism employment growth has outperformed the growth sector average (+18% compared to +8%).

The Inverness and Loch Ness area has experienced continued growth in visitor numbers, increasing by 22% on pre-pandemic levels to 1.7m people in 2023, spending over 2.9m nights and £371m within the local area. Tourism is by far the largest sector of the economy across the wider-Inverness area, with accommodation alone contributing over 25% to local economic activity and supporting over 5,300 jobs.

In terms of the overnight visitor profile to Inverness, looking at 2023, 34% were domestic visitors versus 66% international visitors. 50% were repeat visitors. By way of comparison, Scotland as a whole attracts 74% domestic versus 26% international.

The Association of Scottish Visitor Attractions (ASVA) December 2024 report shows that overall visits to member attractions (c.300) in 2024 was up 5.7% on the previous year. However, numbers are still down compared to 2019 levels. The Highlands experienced a modest 0.5% increase between 2023 and 2024. This should be read in the context that the Highlands had a recovery rate of 20% between 2022 and 2023.

The most popular forms of accommodation are hotel (54%), self-catering (23%) and Guest House/B&B (13%). Occupancy across the Highlands outperforms the national picture. 5-star properties continue to be in highest demand however, there has been a noticeable increase in demand for 3-star.

4.1.6. Hotels

Recent research shows that hotels in Scotland are outperforming the UK average in terms of RevPAR (revenue per available room), ADR (average daily rate), and growth. Over the past 12 months, Scottish hotels have increased RevPAR by 8.5%, significantly higher than the UK average of 2.4%.

Hotels in the Highlands, particularly in the Inverness area submarket, have seen robust growth in occupancy and rates, driven by overseas visitors who accounted for 53% of overnights. Inverness has climbed to third place in the UK Hotel Market Index, supported by the appeal of Scottish destinations, limited new construction, and favourable costs.

The demand for hotels in Inverness city centre has been dynamic, driven by both leisure and business travellers, leading to a boom in hotel construction. The city has attracted significant private investment, maintaining a balance between supply and demand.

The future outlook for Inverness's hotel market is positive, with ongoing developments and enhancements expected to attract more visitors. Projects like the redevelopment of Inverness Castle and the Victorian Market, along with the growth of other industries and the Green Freeport announcement, are likely to boost tourism and business travel.

4.1.7. Self-Catering

Five years ago, the demand for self-catering accommodation was already strong and it has increased significantly since then. Back in 2019, Inverness was recognised for its high occupancy rates and the growing popularity of self-catering options. The trend has continued, with more visitors opting for self-catering accommodations due to the comfort and convenience they provide.

Currently, there is a healthy balance between supply and demand. The supply of self-catering accommodation has increased to meet the rising demand, with new properties being developed and existing ones being upgraded. However, during peak tourist seasons, demand can still outstrip supply, leading to high occupancy rates and increased prices.

The future outlook for self-catering accommodation in Inverness city centre is positive. Ongoing projects like the redevelopment of Inverness Castle and the Victorian Market are likely to boost tourism further. The city's strategic location as a gateway to the Highlands also ensures a steady flow of tourists, which bodes well for the self-catering accommodation market.

4.1.8. Office Market

The Inverness office market is imbalanced, divided between 'in-town' and 'out-of-town' spaces, each attracting different tenants. The City Centre has seen almost no new development or refurbishment in the past decade, resulting in a lack of high-quality office space. Typical office suites are around 1,000 sq. ft, with rental values ranging from £8-14 per sq. ft. Incentive periods usually offer 9-12 months rent-free for a 5-year lease.

Out-of-town business parks offer larger office pavilions but have also seen no new developments in the last 15 years. The most modern park, UHI Beechwood Park, is designated for life science use only. Rental levels in these parks are stable at around £16 per sq. ft, with some deals slightly higher due to incentives.

Overall, there is a significant issue with the availability of office stock, particularly for spaces over 2,000 sq. ft. Most available office spaces are between 500-1,500 sq. ft, and rising build costs and stable low rents have made new construction unviable for developers.

4.1.9. Retail and Food & Beverage Market

Inverness benefits from a large catchment area and a loyal customer base due to the lack of nearby competing cities, with Aberdeen being over 100 miles away. However, the city centre faces competition from out-of-town retail parks that offer ease of access and free parking. The city centre also attracts many tourists visiting the Highlands and Islands.

Despite this, the rise of online retailing has led to an overprovision of retail space, resulting in vacancies, particularly in the Eastgate Shopping Centre and the High Street. Vacant spaces are increasingly being occupied by tourist-oriented shops rather than national retail chains as was previously the case. Secondary retail streets like Inglis Street, Academy Street, and Union Street have higher vacancy rates and less demand. The majority of recent lettings on the High Street itself have been to Scottish gift shops and rents have generally been in the region of circa £50,000 - £60,000 pa for a circa 2,000-2,500 sq. ft unit.

The food and beverage (F&B) sector is scattered around the city centre, with prime locations near the river and the Victorian Market on Academy Street. While there are some national chains, local operators dominate the F&B market.

Castle Street, a secondary retail pitch, is home to several well-known restaurants and bars, mainly catering to tourists. The east side of Castle Street is more popular due to higher footfall and more retail units. Rents on Castle St are much lower than the High Street, with very few recent letting comparables.

4.1.10. Weddings

The number of weddings in the Highlands has remained largely stable across the last decade (once adjusted for impact of Covid-19). A considerable number of these weddings take place in Inverness. In 2022 for example, there were 1,875 marriages in the Highlands of which 588 were in Inverness.

Based on the industry standard rate of 72% of couples having their ceremony at the same venue as their reception, this results in a market demand for ceremony only venues in Inverness of circa 165 per annum. However, 14% have their ceremony in a place of worship. This results in a market demand for ceremony only venues (non-religious) in Inverness of 82 per annum.

4.2. Comparable Properties

As part of the analysis of alternative uses at ITH, a review of comparable properties was conducted. It is clear that there is a preference for a mixed-use development, comprising ongoing civic requirements, community access and commercial generation. Such uses can help maximise the utility of the town hall and foster a stronger sense of community.

Common uses can be summarised as follows:

- **Community Events:** Hosting local events such as fairs, markets, and festivals
- **Cultural Activities:** Organising art exhibitions, theatre performances, and concerts
- **Educational Programs:** Offering workshops, classes, and seminars on various topics
- **Public Meetings:** Providing a venue for town hall meetings, public forums, and community discussions
- **Private Functions:** Renting out space for weddings, parties, and other private events
- **Health Services:** Setting up temporary clinics, health fairs, and vaccination drives
- **Emergency Shelter:** Serving as a shelter during natural disasters or emergencies
- **Recreational Activities:** Hosting sports events, fitness classes, and recreational clubs
- **Non-Profit Activities:** Providing space for charity events, fundraisers, and non-profit organisation meetings
- **Business Conferences:** Facilitating business meetings, conferences, and networking events

5. Options Appraisal

5.1. Introduction

A variety of potential future uses have been considered, as detailed below.

The recommended uses are then further expanded upon in Section Six.

5.2. Civic Requirement & Grant Funding

In assessing the potential future use(s) of ITH it is understood that the building must continue to provide a base for a range of civic events and meetings to take place throughout the year.

It is further understood that THC were awarded grant funding of £1.2 million from Historic Environment Scotland (HES) towards the repair and conservation of ITH. The funding was awarded across three grants in 2015, 2017 and 2019.

The funding is contingent on the 'End Use' as defined in the contract between THC and HES. This is defined as '**Use as a council office building and community space.**' Under clause 10.10 of the phase 3 grant offer, if the property ceases to be used for the End Use this would constitute a recovery event, meaning HES is entitled to (i) re-assess, vary, make a deduction from, withhold or recover the Grant (or such proportion of it as HES thinks fit).

In February 2023 HES wrote to THC noting that they *"have been made aware that Highland Council has recently decided to vacate Inverness Town House and that we have not been notified of this decision, as is stipulated in our grant contract."*

THC responded to HES in March 2023 where it confirmed that ITH *"will continue to be owned and maintained by the Highland Council, with the Common Good Fund providing annual funding to fully maintain this exceptional facility."* The following uses were also confirmed as remaining in place:

- *Service Point, serving the public, operating from its existing ground floor location, 5 days per week*
- *Provost, Depute Provosts, and support staff*
- *Facilities management services*
- *Police Scotland and Social Security Scotland will continue to operate from offices within the building*
- *Street Cleansing services*
- *The building will continue to be used and further promoted for Civic functions, events, gatherings, conferences, guided tours, weddings etc. to make it even more available/ accessible to the community and general public*
- *All existing and future Common Good/Civic materials, paintings, plaques, sculptures etc will remain in the building*
- *Remaining office space within the Town will be marketed for rental income from suitable organisations/partners to supplement the income for the Common Good Fund and to maximise the use of the available space. This will help to preserve and protect the building for the future.*

In assessing the viability of future use(s) of ITH, the requirement for an ongoing civic function has been accounted for. The conditions of the grant funding have been taken on board but have not been allowed to dictate. It will therefore be necessary to consult with HES on any preferred future strategy to fully understand the implications to grant funding and the possible value that may be required to be returned.

5.3. Options Appraisal

5.3.1. Offices

The market analysis has highlighted an imbalance between city-centre and out-of-town business parks, with the latter proving to be in higher demand across the last decade. However, there is suggestion of a slight softening in this trend, with both Inverness Chamber of Commerce and Inverness Creative Academy commenting on a recent uptake in desire for businesses to return to the city-centre.

Office suites within the city centre are located within typically traditional buildings often of mixed use with retail elements at ground floor level and the office space above. Within the City Centre there has been almost zero new development or refurbishment projects undertaken in the last decade to provide modern and high specification office space. This has resulted in a lack of good quality stock available in the City Centre, particularly for office suites over the 2,000 sq. ft size. Typical office suites in the city-centre are around 1,000 sq. ft which is suitable for the generally small sized office requirements, ranging from 500 to 1,500 sq. ft.

In regard to the rental values seen in the City Centre, the better-quality stock attracts £12- 14 sq. ft with the lower quality space attracting a £8-12 sq. ft rate. The market norm for incentive periods reflects 9-12 months of rent free granted per 5 years of lease commitment. Flexible leases and break options will of course result in a reduction of the incentive granted.

At the time of writing, there is vacant office space across all four levels of ITH, ranging from 592 sq. ft to 2342 sq. ft. Six potential office zones have been identified (see Section 6.2) with combined spaced of 8,416 sq. ft (based on vacant possession).

Significant investment will be required in order to create attractive offices for the influx of new office occupiers in Inverness. The majority of the current Grade C and Grade B office suites are not of the configuration and quality which occupiers are looking for in the market. This is particularly the case for the occupiers predicted to relocate to the city because of the Green Freeport status and expansion. These firms will likely have energy efficiency credentials at the top of their agendas when searching for new office space, which ITH will not be able to provide. A second issue is the configuration of the available offices, with the majority being cellular in nature which poses difficulties for the modern occupiers who have strong preference for open-plan collaborative space.

In relation to the Inverness City Strategy, developing good quality office accommodation would accord with the following outcomes:

- Outcome One: a prime destination for locals
- Outcome Two: a living, working city

Recommendation: office suits should continue to form part of a mixed-use development at ITH.

5.3.2. Retail / F&B

As noted in the market appraisal, retail demand from national occupiers for Inverness city-centre is fairly weak however, there is a more buoyant market (both in terms of retail uses and F&B) from local businesses, particularly those focused on tourist trade.

The street presence along Castle Street makes it the most viable location for any retail / F&B offer at ITH. The impact of the reopening of the Castle will be key to future passing footfall levels on Castle Street and subsequent trading potential. Whilst the Castle will have its own F&B offering, if the projected visitor numbers are achieved, it is considered highly unlikely that the Castle's F&B offer will cope with demand. This sentiment was confirmed by several stakeholders during the engagement exercise.

Individual units within ITH, accessed from Castle Street, may be suitable for café / grab and go food type uses. It is most likely that occupier demand would come from local businesses, rather than national operators. The success of the Victorian Market demonstrates a) the quality of local artisan operators and b) THC's ability to develop and oversee a successful hospitality offer.

The most appropriate units, in terms of access and street frontage, are considered to be the existing Service Point and Reception areas.

In relation to the Inverness City Strategy, developing F&B provision would accord with the following outcomes:

- Outcome One: a prime destination for locals and visitors
- Outcome Two: a living, working city

Recommendation: F&B should be explored as an opportunity.

5.3.3. Hot Desk / Meeting Room Hire

During the stakeholder engagement, the demand for hot desking and meeting room hire was raised by several parties. There are a number of rooms across ITH that could be refurbished to provide such uses. ITH's central location makes it a convenient location for city-centre meetings and professionals requiring a touch down point in the heart of the city.

However, a review of competitors has easily identified several established providers including similar facilities, for example:

- [Impact Hub](#)
- [Wasp Studios](#)
- [The Treehouse](#)

In relation to the Inverness City Strategy, developing hot desk / meeting room provision would accord with the following outcomes:

- Outcome One: a prime destination for locals
- Outcome Two: a living, working city
- Outcome Six: a digital City – support for remote working and co-working spaces

Recommendation: due to the number of available rooms, it is suggested that meeting room hire should be explored however, it is unlikely that this will generate significant income. Hot desking space could be explored should an appropriate location be available, subject to demand to lease individual office suites.

5.3.4. Hotel

There have been several new hotel developments in recent years, with more in the pipeline. Whilst externally ITH has the visual appeal of a grand hotel, such a use is considered to be a non-starter. The costs involved to convert would not make this a viable use. Nor would such a use allow a continued civic function to be provided.

Recommendation: discount due to likely high capital cost versus low return.

5.3.5. Self-Catering Apartments

ITH is very well located to provide overnight visitor accommodation. Whilst a hotel development has been discarded due to the high development costs and incompatibility with a Civic function, it is considered that a section of the building could be converted to offer self-catering accommodation suites.

The market demand analysis has identified the recent growth in visitor numbers. Whilst there is considered to be a healthy balance between supply and demand, ITH's city-centre location and proximity to Inverness Castle make it an interesting proposition. In addition to holiday makers, Inverness is set to attract a higher number of overnight professional visitors as a result of the growth in life sciences and the Green Freeport.

A review of competitors in the city-centre suggests strong demand, with a preference for studio, one and two bed apartments.

In relation to the Inverness City Strategy, developing hot desk / meeting room provision would accord with the following outcomes:

- Outcome One: a prime destination for visitors
- Outcome Two: a living, working city

Recommendation: short-term accommodation apartments should be explored as an opportunity.

5.3.6. Residential

Conversion of a section of ITH to create residential apartments has been briefly considered. A comparable example is the recent restoration of 51-53 Castle Street which was delivered in collaboration between property owner THC and HHA as developer and manager. The restoration created seven one-bed apartments and one two-bed apartment, aimed at addressing the demand for high-quality residential rental opportunities in Inverness.

Whilst a notable idea for ITH, the costs involved would be extensive versus a likely modest return. The City Strategy does identify the need for more high-quality rental accommodation however, it is considered that there are likely better suited conversion opportunities than ITH. Notably, residential accommodation was not identified as an opportunity by anyone during the stakeholder engagement. The number of residential accommodation units that could be achieved would likely be modest (lower than what could be achieved for compact studio self-catering apartments) with income unlikely to provide an acceptable return on investment.

Recommendation: discount due to likely high capital cost versus low return.

5.3.7. Visitor Attraction

As highlighted in the market analysis, tourism is a major industry for Inverness.

It is understood that a limited series of guided tours of ITH have previously been offered, operated by HLH. The key points of interest are considered to be:

- The front façade and statues
- Main entrance hall and staircase
- Main hall
- Committee room

Whilst the history and architecture of ITH can be considered to be of good interest, the current status offers fairly little from a visitor attraction perspective. Examples of a future visitor proposition could range from a guided tour at pre-specified times through to a highly interactive visitor experience, for example, creating a role play activity based on a murder mystery scenario or the popular BBC reality show *The Traitors* (subject to gaining necessary consent).

ITH is situated beside Inverness Castle and Museum/Art Gallery. Given the major investment into the Castle, due to open in summer 2025, it is considered that this will be, by far, the primary attraction in the locality. It is considered that some form of visitor attraction should be further explored, however, for this to properly work it must be done in collaboration with the operator of the Castle Experience. Several stakeholders suggested that a single ticket, permitting entry to both, should be considered. To fully understand the potential synergy, it is likely that the Castle will need to re-open and operate for a full season before any meaningful conversation can be had as to what complimentary role ITH could play. Such data on actual demand and visitor profile will be essential in defining the opportunity and thus shaping the proposition.

In relation to the Inverness City Strategy, making ITH accessible as a visitor attraction would accord with the following outcome:

- Outcome One: a prime destination for locals and visitors

Recommendation: given the proximity of the Castle, it would be remiss not to consider some type of visitor attraction offer for ITH, capitalising on the forecast visitor numbers. However, for it to properly work, this will work best if done in tandem with the Castle and will likely need to wait until the Castle is open and established, to allow potential collaboration opportunities to be fully identified.

5.3.8. Wedding & Events Venue

The market analysis identified that there is c.588 marriages per year in Inverness. Stakeholder engagement also identified demand for a variety of different types of events, both private and corporate. Eden Court cannot for example service evening dining requirements for conference attendees.

ITH currently hosts wedding ceremonies and a range of different types of events. The recent creation of a new website and investment into Spey Design's expertise will further help promote this existing use.

From data provided by THC, it appears that there have been on average 18 weddings at ITH across the last two years, an increase from nine the previous year. The Main Hall can seat c.140 guests for a ceremony and c.100 for a seated meal. The Mackenzie room can seat 30 guests for a ceremony. The current lack of secondary venue space in ITH makes hosting weddings, inclusive of ceremony and reception, challenging.

Pricing for existing ceremony hire (2024/2025) ranges between £120 and £220. This is an increase from £90 in 2023. A review of comparable local venues shows a range in pricing for ceremony venue hire of £350 to £750. Looking further afield, there are examples that charge more than £1,000 for ceremony only. For example, University of Glasgow charge £1,350 for their chapel.

In addition to weddings, other types of events (non-civic) include dinners, drinks receptions, graduation events and election counts. In 2024/2025 there were c.60 event bookings, with a total income of £25,714. Room hires ranged from £56.25 to £4,400 with the following breakdown:

- 10 x bookings between £251 and £500
- 5 x bookings between £501 and £1,000
- 4 x bookings above £1,001

Due to the existing storage solution in the Main Hall as well as the size of the stage, capacities are limited to 119 seated theatre style or 180 standing.

In relation to the Inverness City Strategy, further developing a venue hire provision would accord with the following outcomes:

- Outcome One: a prime destination for locals and visitors
- Outcome Two: a living, working city

Recommendation: It is considered that weddings should continue to form part of the offering at ITH. Due to the building's limitations, and in light of market trends, it is considered unlikely that full-day weddings will be a fundamental opportunity however, there should be an opportunity to build on the status quo, both in terms of volume and pricing.

Promotion of ITH as a venue to hire for a range of different types of events should be a key priority.

5.3.9. Ticketed Events

ITH already hosts a variety of ticketed events. It is understood that the majority are promoted by third parties who hire ITH as a venue. Examples include:

- Comedy Club nights (£500 venue hire)
- Music concerts (£830 venue hire)
- Burns Night Supper (£844 venue hire)

It is considered that this existing use should be further developed, promoting ITH as unique venue for a range of different types of events, including music, dance, theatre, comedy, spoken word, book festival and special occasion (e.g. Burns). ITH should be promoted as a venue for hire to promoters to stage their own events. In addition, ITH should promote its own events (e.g. ceilidhs).

Building on such use has the potential for ITH to:

- Generate addition income
- Enhance its public perception as a space for everyone
- Contribute towards the identified need to provide greater evening (family-friendly) entertainment in the city-centre

In relation to the Inverness City Strategy, further developing a venue hire provision would accord with the following outcomes:

- Outcome One: a prime destination for locals and visitors
- Outcome Two: a living, working city

Recommendation: ticketed events should continue, with additional focus on programming to increase volume/variety.

5.3.10. Community Events

As previously noted, ITH is currently not well known or used by the local community. It is understood that this has not always been the case, with stakeholders referring to regular weekend community events taking place in the Town House throughout the 1980's.

A regular programme of community events will help develop a sense of connection and ownership. Whilst it is unlikely that these will be an income source in their own right, such activity will help market ITH and promote it as a flexible space for a variety of income generating events. Examples of community-based events could include Christmas fayres (building on the success of the inaugural 2024 event), carol concerts, craft/art fayres, quiz nights and afternoon tea clubs.

In relation to the Inverness City Strategy, community event provision would accord with the following outcomes:

- Outcome One: a prime destination for locals and visitors
- Outcome Two: a living, working city

Recommendation: an annual programme of community-based events should form part of any future use. Such events should cover their own costs but will be unlikely to provide a profit. Nevertheless, they will positively contribute towards contribute towards community spirit and cultural life, both key aspirations in the city strategy.

5.3.11. Service Point and Reception

It is recognised that a council service point is a core requirement for the people of Inverness. However, it does not necessarily follow that this service requires to be in the existing location.

Recommendation: on the basis that THC could relocate the Service Point to another central location that is as suitable, if not more, than ITH, it is considered that there are other viable uses for this space (see Section 6.8) that either generate a greater income or contribute to a wider alternative use for that specific zone.

5.3.12. Creative Space

Inverness Creative Academy (wasps' studio) provides 32 artists spaces and 54 creative offices. It is understood that they are almost at capacity. Beyond initial grant funding for capital works, the Creative Academy is entirely self-funded, reliant on generating commercial income from studio/office rental, events, meeting room hire and lease of a café space.

Based on the demand for creative spaces, letting of creative spaces (studio, workshop, exhibition etc.) could be an option for ITH.

Recommendation: for such use to work effectively, a collaborative approach with the likes of wasps or University of Highlands and Islands could be necessary. Should such a use be of interest to THC, the next step should be to consult with these identified stakeholders to further explore options.

5.3.13. Visitor Information

As part of a wider strategy by VisitScotland, the Inverness ICentre (visitor information centre) is set to close in October 2025. During discussions with key stakeholders, the requirement for Inverness to have an ongoing visitor information centre was raised.

The existing reception area on Castle Street could fulfil such a requirement. Such use would require to be partly funded and partly self-sustaining, by selling tickets and a limited retail provision. A comparable example is the Tweed Valley Visitor Centre in Peebles, operated by Go Tweed Valley, the public ace of the Tweed Valley Tourism BID

Recommendation: Should such a use be of interest to THC to explore further, it is suggested that as a next step, a workshop is facilitated with representation from THC, HLH and VILN to discuss options.

5.3.14. TV and Film Location

Last year Screen Scotland, responsible for driving the development of all aspects of Scotland's film and TV industry, launched its strategy to 2030. It is designed to create associated jobs and to support the industry goal of reaching £1bn GVA by 2030/31. Since its establishment, the value of film and high-end TV production activity has more than doubled between 2019 and 2021.

This presents opportunities for property owners to promote their assets for TV and film productions.

It is understood that ITH was previously the location for BBC Debate Night, generating income of £2,088.

Recommendation: whilst income from tv/film location work cannot be budgeted (due to the inherent unreliability of securing work) it is considered nevertheless that ITH should be promoted as a film location.

6. Preferred Options & Requirements

6.1. Vision and Objectives

Based on the market and site appraisal, set out below is a recommended vision for ITH:

To take the opportunity of The Highland Council relocating the majority of their employees from Inverness Town House to create a sustainable and viable future for the building whereby it covers its own costs whilst being embraced by locals and visitors alike as an established destination for a variety of events, civic functions and community initiatives.

The following objectives follow from the above vision:

1. Contribute towards the Inverness Strategy Outcomes of a) Prime Destination, b) Living Working City and c) Digital City
2. Cover its own costs, with any surplus reinvested back into the building to ensure its longevity for the people of Inverness
3. Provide welcoming and attractive spaces for a range of different event types (private, corporate, ticketed)
4. Host a variety of civic functions and activities
5. Alleviate the existing lack of family friendly evening entertainment in the city centre
6. Support community spirit and the cultural life of the city – including provision of indoor performance and exhibition space for music, comedy, and the arts to strengthen the economy, tourism offering and to provide a safe space to gather as a community for a variety of events.
7. Support opportunities for development of co-working and/or creative space

6.2. Building Zoning

Looked at as a whole, it is highly challenging to produce a single viable use for ITH. The building was designed for a very specific purpose, namely hosting a range of civic events and providing office accommodation for council departments.

It is proposed to retain the existing building envelope in its current form with no significant external alterations or additions. On this basis we have identified several zones within the property that naturally group together in terms of access and flow, style type, structure, and versatility. These areas are shown on the drawings (see **Appendix Two**) with zonal colours for ease of reference, detailed as follows:

Zone One (pink): The original 1882 north section with main entrance onto Bridge Street, housing the grand staircase, public hall, and chamber, collectively forming the civic area, is to be retained as one collective zone. This progresses to a number of ancillary rooms which assist in allowing the civic hall to work, whilst providing a space for the provost, meeting rooms and storage over all three levels.

Zone Two (blue): The more recent building annexed in 1904 is a single rectangular unit which extends up from the ground floor with access from Castle Street to a central stair well which rises through all three levels above. This zone has been previously gutted and fitted out to form office units and is the most versatile section of the building.

As this zone has very little original internal fabric, with numerous alterations, further development should be possible, to include a full strip out and re-fit over all floors. This would need to be supported through the Planning process, working closely with the local Conservation Officer.

Each level has a fire escape to the south end and, although the window fenestration is compromised, additional daylight can be introduced through carefully positioned apertures and roof mounted skylights, such as Velux style windows. This opens up the blue zone to varied changes of use.

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Zone Three (red): This is a self-contained section with direct access onto Castle Wynd currently occupied and leased as offices to the Police.

Zone Four (yellow): Although part of the original baronial section, this area works together as a collective unit formed with four double height interlinked spaces, with direct access from Castle Street and the main entrance.

Zone Five (green): This is a small self-contained unit with good direct access to Castle Street and links through to the remaining building to the north side.

Zone Six (purple): A collection of rooms to the west side, which link through to the pink civic zone but has no direct access other than a shared access through the red zone onto Castle Wynd and an indirect access to the main entrance on Bridge Street. Currently used as a central security point with offices for the business support team.



Proposed zoning – ground floor

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Proposed zoning – first floor



Proposed zoning – second floor



Proposed zoning – third floor

6.3. Zone One (Pink)

6.3.1. Recommended Use(s)

Ground Floor	Flexible meeting room / Provost's office
First Floor	Continue with, and build upon, existing uses:
	Civic functions and meetings
	Room hire (venue spaces, meeting rooms)
	Ticketed events
	Community events
Second Floor	Office suites
	Meeting rooms
Third Floor	Office suite
	Storage

6.3.2. Requirements

The majority of this space will be retained for ongoing civic, community and private event use, with ancillary rooms retained to add flexibility and service these core functions.

It is proposed to remove the storage area in the main hall and use the adjoining office (currently used as the Provost's office) as dedicated furniture storage space. Whilst this is an attractive room, it is considered that compromises are necessary, and it is more important to ensure an efficient storage solution that also increased the useable floor areas of the main hall. The Provost could use the historic Provost's office on the ground floor (pink zone) or one of the vacant spaces on the second floor (pink zone).

The adjoining office (currently occupied by the Team leader/Civic Officer) should also be converted into storage. An alternative office space would be available on the ground floor (red zone) or second floor (pink zone).

In addition, the potential to remove the stage in the main hall and replace it with a smaller stage should be explored. This would allow the room to be more flexible in terms of use and capacity.

Whilst architecturally interesting, the exiting horseshoe shape table in the chamber severely limits what this room can be used for. It is recommended that this is removed, enabling this room to be much more flexible for a variety of uses. Examples include, wedding ceremonies, meetings, drinks receptions and dinners. Based on the existing table being removed, it is considered that 35 people could be accommodated (standing and theatre style) in this room.

The interiors of the meeting rooms should be refreshed and modernised in terms of IT and furniture in order to make them attractive spaces for hire.

In developing an indicative budget (see Section 7.1), costs have allowed for the removal of the storage barriers and a general refreshening of the internal fabric through decorate works and floor finishes.

Required statutory consents: Listed Building Consent for the storage removal element and potential stage replacement.

6.3.3. Headline Income Projections

Weddings

Pricing

The following indicative pricing matrix is recommended, based on venue hire only:

- Ceremony only £750
- Ceremony and drinks reception £1,250
- Full day wedding (capped at 35 guests plus evening guests) £2,750

Pricing is based on Saturday hire. A discounted rate of circa 20% for midweek should apply.

Demand

- Ceremony only x 20 per annum
- Ceremony and drinks reception x 10 per annum
- Full day wedding x 10 per annum

Income

- Potential for circa £55,000 per annum.

Room Hire

Pricing

The following indicative pricing matrix is recommended, based on venue hire only:

- Main Hall £500 half day / £1,000 full day
- Chamber £350 half day / £700 full day
- Meeting Rooms £40 per hour

Demand

Based on the recommendations within this report being implemented, the following demand is deemed viable:

- Main Hall x 30 events per annum
- Chamber x 10 events per annum
- Meeting Rooms x 50 bookings per annum (average 2.5 hours per booking)

Income

- Potential for circa £33,750 per annum

Ticketed Events

Pricing

- Venue hire to third party promoter £500 to £1,000 per day
- Ticketed events managed in-hand £10 to £20

Demand

- Based on comparable examples (e.g. Paisley Arts Centre) it should be possible to host between 40 and 50 annual ticketed events. Should a summer series of ceilidh events be promoted, this number could be far exceeded

Income

- Potential for circa £54,000 per annum

Offices

Second floor

- £10 per sq. ft, equates to annual rent of £5,917

Third floor

- £10 per sq. ft, equates to annual rent of £7,513

Total Income Potential

- £156,180 per annum

The above projections do not include community-based events. Whilst an income should be derived from these, it is considered that it should be geared only towards covering the cost of the specific event.

Whilst these projections are arguably conservative, it is considered that they are realistic targets and should be achievable in the first three years. Looking further ahead, there may be opportunities to further build on initial successes and drive the commercial return from such uses.

6.3.4. Operating Model

To achieve the potential increase in income, an experienced commercial venue operator will be required. This could be in the form of either an experienced individual to be recruited as venue director or partnering with an experienced third party. One consideration could be for HLH to take operational control of the pink zone, resulting in the same operator managing the neighbouring attractions of ITH, Inverness Castle and Museum/Art Gallery.

6.4. Zone Two (Blue) Ground Floor

6.4.1. Recommended Use(s)

- Leased as café / restaurant

6.4.2. Requirements

- To be altered for a change of use
- Cafés or similar food uses will require adequate servicing and bin storage. A dedicated area in the rear car park would have to be allocated for this
- Costing: To be cleared and electrics to be upgraded and re-zoned specifically for isolated use on the ground floor as a contained unit ready for new business fit out. Fire separation to be installed
- Statutory Consents: Listed Building Consent, Planning and Building Warrant for alterations and change of use

6.4.3. Headline Income Projections

- Annual rent of £20,000 to £30,000

6.4.4. Operating Model

- Leased to third party tenant
- Most likely that demand would come from local businesses, rather than national operators. Potential to collaborate with a Victorian market operator should be explored
- We would expect lease terms to be in the region of 10 years but with tenant break options after the fifth year, as is now standard in majority of retail leases
- An incoming occupier is also likely to seek an incentive (generally in the form of rent-free period) at the commencement of the lease. If the units are in a 'white box' condition and ready for a tenant's fit out, then this can hopefully be minimised, but 3-6 months' rent free would still be the market norm

6.5. Zone Two (Blue) First, Second and Third Floors

6.5.1. Recommended Use(s)

- Option One: Self-catering apartments; or
- Option Two: Office suites

6.5.2. Requirements

- To be altered for a change of use.
- Costing: To be stripped out, fire separation added to each floor and between split units internally. All electrics, plumbing, joinery, builder, M&E, drainage to be installed for new use.
- Statutory Consents: Listed Building Consent, Planning and Building Warrant for alterations and change of use.

6.5.3. Headline Income Projections

Option One (self-catering apartments)

A development of 12 self-catering apartments is considered achievable based on the current building envelope. These are configured as four apartments across each floor (first, second and third). A phased approach could be undertaken to spread the cost of development. Whilst detailed designs have not been developed at this stage, to achieve 12 units the majority will be one-bed studios with a modest number of smaller two-bed apartments.

Indicative modelling is set out below to show income potential from x 12 self-catering apartments, set across floors one to three.

	Year 1	Year 2	Year 3	Year 4	Year 5	Combined 1-10
Avg. daily rate	£135.00	£139.05	£143.22	£147.52	£151.94	
Occupancy	40.00%	60.00%	70.00%	70.00%	70.00%	
Income	£236,520.00	£365,423.40	£439,117.12	£452,290.63	£465,859.35	£4,506,720.39
Operating costs	£195,129.00	£283,203.14	£329,337.84	£339,217.97	£349,394.51	£3,406,914.87
Margin	17.50%	22.50%	25.00%	25.00%	25.00%	
EBITDA	£41,391.00	£82,220.27	£109,779.28	£113,072.66	£116,464.84	£1,099,805.51

The above projections are based on an in-hand operating model. An alternative would be to lease the space to an experienced operator. On this basis, the following indicative rent projections are deemed achievable:

- Year 1 - £4,750 per unit (£57,000 total)
- Year 2 - £6,200 per unit (£74,400 total)
- Year 3 – £8,000 per unit (£96,000 total)

Option Two (offices)

First Floor

- £11 to £13 per sq. ft. Based on £12 per sq. ft., annual rent of £28,100.50

Second Floor

- £11 to £13 per sq. ft. Based on £12 per sq. ft., annual rent of £19,605.12

Third Floor

- £11 to £13 per sq. ft. Based on £12 per sq. ft, annual rent of £17,786.43

Total

- £65,492.05

6.5.4. Operating Model

Option One (self-catering apartments)

The self-catering apartments could be developed and managed in-hand by THC. However, due to the specialist nature of this type of enterprise, it is recommended that this is not a preferred option.

An alternative would be to either employ a management partner or to lease the space to a third party to develop and operate. For the purposes of the outline capital and financial projections (see Section Seven) it has been assumed that THC has developed the areas to a basic shell fitout, to be finished by a third-party tenant.

To fully appraise market demand for this option, as a next stage, we would suggest undertaking discreet soft market testing whereby a select number of operators are approached to assess their views in terms of both interest and required headline terms.

Option Two (offices)

- Leased to third party tenant

6.6. Zone Three (Red)

6.6.1. Recommended Use(s)

- Ground Floor: Status quo (storage) to remain
- First Floor: Status quo (office suite) to remain

6.6.2. Requirements

- No immediate requirements
- Upgrade specification upon vacant possession and relet as self-contained office suite

6.6.3. Headline Income Projections

- **Existing rent of £4,500 from existing tenant** (Police Scotland)
- Understood existing lease is only for part of the area currently occupied by tenant; recommend actual use versus lease terms if reviewed as may give opportunity for modest rent increase

6.6.4. Operating Model

- In-hand (THC / ICGF)

6.7. Zone Four (Yellow)

6.7.1. Recommended Use(s)

- To be leased either as office suite or creative space (studio / workshop / gallery) potentially in collaboration with other bodies such as UHI or Wasps etc.

6.7.2. Requirements

- To be altered for a proposed change of use.
- Costing: The internal partitions to be removed and cleared to make way for internal fit out to new purpose. Electrical and heating system to be refitted and zoned to suit. The spaces are currently interlinked with changes in levels, which can be retained in one linked space or carefully separated, working around or adapting the existing access, exit and services.
- Statutory Consents: Listed Building Consent, Planning and Building Warrant for removal of partitions and change of use.

6.7.3. Headline Income Projections

- £10 per square foot equates to annual rent of **£16,152.46**

6.7.4. Operating Model

- Leased to third party

6.8. Zone Five (Green)

6.8.1. Recommended Use(s)

- Option One: Building reception / interpretation zone / visitor centre; or
- Option Two: Take away F&B (e.g. coffee shop / bakery)

6.8.2. Requirements

- To be altered for proposed change of use.
- Costing: To be cleared of all existing fit out and stripped back with water drainage and new electrics in place ready for new business fit out.
- Statutory Consents: Listed Building Consent, Planning and Building Warrant for alterations and change of use

6.8.3. Headline Income Projections

- Cost neutral at best (use one)
- **Annual rent of £15,000 (use two)**

6.8.4. Operating Model

- Collaborative partnership approach between HC and (for example) VILN or HLH (use one)
- Leased to third party (use two)

6.9. Zone Six (Purple)

6.9.1. Recommended Use(s)

- Office and meeting room space for ITH team and flexible hot desk space for wider council requirements

6.9.2. Requirements

- To remain unaltered
- Costing: Allowance for freshen up through decorator works, electrics to be adapted to cover Zone 1 (pink) civic area and Zone 2 (yellow) let rooms.
- Statutory Consents: None required

6.9.3. Headline Income Projections

- Modest potential to recharge council departments that require to utilise desk / meeting rooms (charge per use)

6.9.4. Operating Model

- In-hand (THC / ICGF)

7. Financial Appraisal

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7.1. Capex

Proposed works have been costed on a sqm rate for alterations and changes of use across the individual zones. All costings include Professional Fees, but exclude VAT.

7.1.1. Option One (Serviced Apartments in Blue Zone, Floors 1/2/3)

Ground Floor

Zone	Proposed Use	Area	Rate	Cost (ex VAT)	Prelims @ 20%	Total (ex VAT)
Pink	Civic/Meetings	50.00	£550.00	£27,500	£5,500.00	£33,000.00
Blue	F&B retail (shell)	218.00	£720.00	£156,960.00	£31,392.00	£188,352.00
Red	Storage (status quo)	102.00	£0.00	£0.00	£0.00	£0.00
Yellow	Office / Studio	135.00	£800.00	£108,000.00	£21,600.00	£129,600.00
Green	Reception / Information	77.00	£720.00	£55,440.00	£11,088.00	£66,528.00
Purple	ITH & THC Offices	180.40	£200.00	£36,080.00	£7,216.00	£43,296.00
Sub-Total		762.40		£383,980.00	£76,796.00	£460,776.00

First Floor

Zone	Use	Area	Rate	Cost (ex VAT)	Prelims @ 20%	Total (ex VAT)
Pink	Civic/Events/Meetings	250.00	£700.00	£187,500.00	£37,500.00	£225,500.00
Blue	Apartments (shell)	231.00	£2,000.00	£462,000.00	£92,400.00	£554,400.00
Red	Office	82.00	£0.00	£0.00	£0.00	£0.00
Yellow	NA	0.00	£0.00	£0.00	£0.00	£0.00
Green	NA	0.00	£0.00	£0.00	£0.00	£0.00
Purple	NA	0.00	£0.00	£0.00	£0.00	£0.00
Sub-Total		563.00		£649,500.00	£129,900.00	£779,400.00

Second Floor

Zone	Use	Area	Rate	Cost (ex VAT)	Prelims @ 20%	Total (ex VAT)
Pink	Office/Hot Desk/Meeting Room	250.00	£550.00	£137,500.00	£27,500.00	£165,000.00
Blue	Apartments (shell)	234.00	£2,000.00	£468,000.00	£93,600.00	£561,600.00
Red	NA	0.00	£0.00	£0.00	£0.00	£0.00
Yellow	NA	0.00	£0.00	£0.00	£0.00	£0.00
Green	NA	0.00	£0.00	£0.00	£0.00	£0.00
Purple	NA	0.00	£0.00	£0.00	£0.00	£0.00
Sub-Total		484.00		£605,500.00	£121,100.00	£726,000.00

Third Floor

Zone	Use	Area	Rate	Cost (ex VAT)	Prelims @ 20%	Total (ex VAT)
Pink	Office	90.00	£550.00	£49,500.00	£9,900.00	£59,400.00
Blue	Apartments (shell)	236.00	£2,000.00	£472,000.00	£94,400.00	£566,400.00
Red	NA	0.00	£0.00	£0.00	£0.00	£0.00
Yellow	NA	0.00	£0.00	£0.00	£0.00	£0.00
Green	NA	0.00	£0.00	£0.00	£0.00	£0.00
Purple	NA	0.00	£0.00	£0.00	£0.00	£0.00
Sub-Total		424.00		£521,500.00	£104,300.00	£625,800.00

Option One Summary

Zone	Total Area	Total Cost (ex VAT)
Pink	640.00	£482,400.00
Blue	919.00	£1,870,752.00
Red	184.00	NA
Yellow	135.00	£129,600.00
Green	77.00	£66,528.00
Purple	180.40	£43,296.00
Total		£2,592,576.00

The apartments (blue zone, floors 1/2/3) have been costed based on a basic shell fit out only, with services to each apartment. This is on the basis that a third-party tenant would then invest in the final fit out, likely requiring an initial rent-free period as a result.

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7.1.2. Option Two (Offices in Blue Zone, Floor 1/2/3)

Ground Floor

Zone	Proposed Use	Area	Rate	Cost (ex VAT)	Prelims @ 20%	Total (ex VAT)
Pink	Civic/Meetings	50.00	£550.00	£27,500	£5,500.00	£33,000.00
Blue	F&B retail (shell)	218.00	£720.00	£156,960.00	£31,392.00	£188,352.00
Red	Storage (status quo)	102.00	£0.00	£0.00	£0.00	£0.00
Yellow	Office / Studio	135.00	£800.00	£108,000.00	£21,600.00	£129,600.00
Green	Reception / Information	77.00	£720.00	£55,440.00	£11,088.00	£66,528.00
Purple	ITH & THC Offices	180.40	£200.00	£36,080.00	£7,216.00	£43,296.00
Sub-Total		762.40		£383,980.00	£76,796.00	£460,776.00

First Floor

Zone	Use	Area	Rate	Cost (ex VAT)	Prelims @ 20%	Total (ex VAT)
Pink	Civic/Events/Meetings	250.00	£700.00	£187,500.00	£37,500.00	£225,500.00
Blue	Office Fit Out	231.00	£1,330.00	£307,230.00	£61,446.00	£368,676.00
Red	Office	82.00	£0.00	£0.00	£0.00	£0.00
Yellow	NA	0.00	£0.00	£0.00	£0.00	£0.00
Green	NA	0.00	£0.00	£0.00	£0.00	£0.00
Purple	NA	0.00	£0.00	£0.00	£0.00	£0.00
Sub-Total		563.00		£494,730.00	£98,946.00	£593,676.00

Second Floor

Zone	Use	Area	Rate	Cost (ex VAT)	Prelims @ 20%	Total (ex VAT)
Pink	Office/Hot Desk/Meeting Room	250.00	£550.00	£137,500.00	£27,500.00	£165,000.00
Blue	Office Fit Out	234.00	£1,330.00	£311,220.00	£62,244.00	£373,464.00
Red	NA	0.00	£0.00	£0.00	£0.00	£0.00
Yellow	NA	0.00	£0.00	£0.00	£0.00	£0.00
Green	NA	0.00	£0.00	£0.00	£0.00	£0.00
Purple	NA	0.00	£0.00	£0.00	£0.00	£0.00
Sub-Total		484.00		£448,720.00	£89,744.00	£538,464.00

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Third Floor

Zone	Use	Area	Rate	Cost (ex VAT)	Prelims @ 20%	Total (ex VAT)
Pink	Office	90.00	£550.00	£49,500.00	£9,900.00	£59,400.00
Blue	Office Fit Out	236.00	£1,330.00	£313,880.00	£62,776.00	£376,656.00
Red	NA	0.00	£0.00	£0.00	£0.00	£0.00
Yellow	NA	0.00	£0.00	£0.00	£0.00	£0.00
Green	NA	0.00	£0.00	£0.00	£0.00	£0.00
Purple	NA	0.00	£0.00	£0.00	£0.00	£0.00
Sub-Total		424.00		£363,380.00	£72,676.00	£436,056.00

Option Two Summary

Zone	Total Area	Total Cost (ex VAT)
Pink	640.00	£482,400.00
Blue	919.00	£1,307,148.00
Red	184.00	NA
Yellow	135.00	£129,600.00
Green	77.00	£66,528.00
Purple	180.40	£43,296.00
Total		£2,028,972.00

7.2. Income

Annual income for the last full financial year (2023/2024) was £79,382.46.

Income potential from the uses proposed within this report can be summarised as follows:

Option One (self-catering apartments)

Pink	£156,180.00
Blue (ground floor)	£25,000.00
Blue (1/2/3 floors) *	£96,000.00
Red	£4,500.00
Yellow	£16,152.46
Green	£15,000.00
Purple	£0.00
Total	£312,832.46

*Assumes apartments are let to a third-party operator.

Option Two (offices)

Pink	£142,180.00
Blue (ground floor)	£25,000.00
Blue (1/2/3 floors) *	£65,492.05
Red	£4,500.00
Yellow	£16,152.46
Green	£15,000.00
Purple	£0.00
Total	£282,324.51

7.3. Operating Costs

Annual costs for the last full financial year (2023/2024) were £369,825.52, resulting in an annual deficit of £290,443.06. However, it is noted that £87,221.30 of the expenditure is attributed to rates. ITH currently has a single ratable value for the entire property.

It is recommended that the individual identified zones are evaluated, with each to receive its own rateable value. Where zones are leased to third parties, they would then be liable for any such charges, thereby reducing ITH's overheads.

Based on comparable examples and conversations with other local authorities who have recently undergone a similar exercise with their civic properties, it is considered that a break-even scenario, whereby ITH covers its own costs, is possible and will likely take a period of up to three years to achieve.

7.4. Return on Investment

A simple return on investment is set out below, per zone, for the areas that are recommended to be leased to third parties.

A viable return on investment for the proposed room hire / events / civic use (pink zone) will not be possible due to the operating costs involved in such uses. However, such investment (in addition to operational changes being implemented) will enable a significant uplift in income generation from the status quo, allowing fixed operating costs to be covered and negating the existing significant annual deficit. Such investment will also allow for ITH to fulfil the other objectives as set out at Section 6.1, notably continuing to facilitate civic requirements and providing a central venue for a range of community events.

Pink (office rental)

- Annual Income £13,430
- Capex £89,633.50
- Simple return on investment 14.98%

Yellow

- Annual Income £16,152.46
- Capex £129,600.00
- Simple return on investment 12.46%

Green

- Annual Income £15,000
- Capex £66,528.00
- Simple return on investment 22.5%

Blue (ground floor)

- Annual Income £25,000
- Capex £ 188,352
- Simple return on investment 13.27%

Blue (1/2/3 floors, self-catering apartments)

- Annual Income £96,000
- Capex £1,672,400
- Simple return on investment 5.74%

Blue (1/2/3 floors, offices)

- Annual Income £65,492.05
- Capex £1,118,796
- Simple return on investment 5.85%

8. Operational Considerations

8.1. Operating Structure

8.1.1. Self-Catering Apartments

The self-catering apartments (blue zone, floors 1/2/3) could be operated via a variety of structures, as summarised below:

1. In-hand operation
2. Management agreement
3. Joint Venture
4. Lease

In-Hand		Management Agreement		Joint Venture		Lease	
Strengths	Weaknesses	Strengths	Weaknesses	Strengths	Weaknesses	Strengths	Weaknesses
Counts as trading business for business property relief	Income to owner wholly variable and dependent on success of trading business	Operator is responsible for day-to-day running of the hotel	Agreements usually long term (however not always) and can be complicated/expensive to exit early	Owner able to benefit from partners specialised expertise, connections, resources	Success dependent on continued joint co-operation and delivery of responsibilities	Owner's exposure is decreased by guaranteed minimum rent	Not a trading enterprise for owner and will not therefore give rise to Business Property Relief
Full control remains with owner	Owner is an employer and responsible for employees	Experienced partner helping optimise revenue/yield management	Income to the owner wholly variable and is dependent on the success of the business	Investment can be shared	Profit is shared	Owner not required to pay for maintenance, insurance, rates etc.	Operator has control over the whole business
Option to pivot offer quickly as not tied to contracts/leases	Owner responsible for any necessary investment	Can count as trading business for business property relief	Owner is an employer	Risks can be shared	Owner retains element of risk (financial, compliance, reputational)	Owner can benefit from upside of good trading performance if rent linked to % of turnover	
	Liability rests with owner	Element of control can remain with owner depending on agreement	Owner responsible for any necessary investment				
		Owner benefits from the upside of hotel performance	Liability rests with owner				

It is recommended that the preferable operating model would be for an experienced third party to operate the self-catering apartments rather than THC. Should this use be of interest to THC, to fully assess operator interest it is recommended that as a next stage a soft market testing exercise is undertaken, whereby a handful of relevant operators are discreetly engaged with to assess appetite and preferred model / terms.

8.1.2. Leased Areas

As noted above, the areas that are proposed to be leased to third parties could continue to be overseen by THC (as landlord). Should an F&B operator be considered as the optimal use for the blue zone (ground floor) and/or green zone, it is recommended that the manager of the Victorian Market is involved in assessing any potential tenants and acting as the principle liaison to ensure compliance with lease terms / service level agreement.

8.1.3. Civic, Venue Hire & Events

The pink zone (civic, venue hire and events) could be operated either in-hand or via a third-party service agreement. It is considered that a lease is not a viable model for this zone in that such a structure is unlikely to deliver the key objectives (as defined at Section 6.1) nor would there be adequate market appetite in the first place.

Regardless of the preferential structure, collaboration will be key to ensuring long term success. It is notable that stakeholders such as the Inverness Chamber of Commerce do not currently use ITH for their event requirements. Such relationships require to be rebuilt and brought along as a key stakeholder (and supporter) of the proposed vision for ITH.

In-Hand

The recent success of the Victorian Market demonstrates the potential of transforming a tired asset into a commercial and community success. A key takeaway from such success should be the importance of recruiting an experienced commercial manager to drive the enterprise. As such, for ITH to realise its potential, an experienced commercial venue manager will be necessary. It will be important to ensure that the selected candidate has credible experience of transforming similar venues. Based on experience, it is considered likely that the right candidate to lead the transformation (c.3-5 years) will not stay on to be the long-term manager post transformation, as this requires a different skill set / level of experience.

Due to the modest potential to commercialise ITH, the new position could also be responsible for wider delivery of ICGF events across the city.

In addition to this core leadership position, experienced marketing/sales and event planning/management will be required. This is in addition to facilities management. To manage cost control, a core team of venue manager, event planner/manager and facilities co-ordinator should be prioritised. Marketing could continue to be outsourced (e.g. Spey Design) subject to a review on what provides best value. Additional facilities support should be drawn upon from a central THC team when required. By way of comparison, the Inverness Creative Academy is operated with only a team of three.

Collaboration should be sought between ITH and the Victorian Market, exploring how resources (e.g. facilities, cleaning etc.) could be shared in addition to cross promotion of events.

Third Party

From an operational perspective, there is a persuasive argument for HLH to operate the public facing elements of ITH. It is noted that every building HLH operate is owned by THC. There is good precedence from other local authorities. For example, One Ren, a subsidiary of Renfrewshire Council, deliver a range of services on behalf of the Council, including arts, museums, sport and fitness, libraries and venue hire (including events and weddings). One Ren operate four town halls, an arts centre and five museums.

Whilst it is understood this may prove challenging from a governance perspective due to the ITH being an ICGD asset, it is suggested that this option should be fully explored if the priority is to ensure the ITH is operated as efficiently and profitably as possible. The synergy of having a single operator responsible for all three attractions in close proximity (Castle, Museum, ITH) cannot be understated in terms of the potential that would create for collaboration and cost control.

The service level agreement between THC and HLH could impose strict obligations in terms of branding, preventing ITH from being overtly branded as HLH. Whilst such collaboration with HLH can be explored, until the Castle reopens and the concept/demand is proven, it is highly unlikely that there will be time or appetite from the team behind the Castle to do so.

It is considered unlikely that an experienced commercial operator other than HLH would be interested in operating ITH without seeking a significant management fee from ITH to underwrite the risk.

8.2. Operating Considerations

The following key considerations are provided in relation to improving the existing operations at ITH:

- Relocate Provost's office to ground floor (pink zone) – the existing location is the only practical solution to resolving the main hall storage challenges. Whilst it is noted that it is a shame to repurpose such a good room into storage, compromise is necessary, and it is considered that this represents the best overall solution. It is understood that the original Provost office was on the ground floor in the area that is being proposed
- Create additional storage in office (Civic and Facilities Team Leader) adjacent to current Provost office; relocate desk to ground floor (purple zone)
- Remove storage barrier in Main Hall, increasing usable space and aesthetics
- Review requirements for stage, with potential to remove and replace with smaller, fit for purpose stage. Usable floorspace would therefore increase
- Relocate some of the artwork / historical memorabilia from the main hall; a specific history room could be created in one of the smaller meeting rooms, housing such relocated pieces. The rational behind this is not to remove or reduce the important history of ITH but rather to ensure that the Main Hall is as attractive as possible to a range of audiences / event types, thereby generating additional revenue to protect the longevity of the spaces for community benefit.
- Upgrade event furniture in main hall, chamber and meeting rooms
- Build on recent work to market ITH, further investing in website to be more user friendly, engaging (better quality and bigger images)
- Review catering provision – work with Victorian Market manager in short term to review options to enhance, both in terms of external catering providers and internal provision for meetings etc. (better quality, locally sourced produce)

9. Appendix 1 – Market Analysis

9.1. Policy & Strategy Context

Inverness is currently experiencing an exciting phase in its development as the primary economic, service, and administrative hub for the Highland region, as well as a key transport centre for the wider Highland and Islands area. The Green Freeport initiative represents a significant investment and opportunity for both Inverness and the surrounding region. Additionally, the reopening of Inverness Castle in 2025 is set to be a transformative project for the city and the region. These are just two examples of the many ongoing developments and investments that form part of the Inverness Strategy, which are contributing to the city's transformation.

The vision for Inverness city centre (as set out in City Strategy) aims to ensure a vibrant, prosperous, unique and attractive city centre that exploits its river setting. The strategy notes that enhancements to major cultural venues will help reinvigorate and modernise not just the city's key green spaces but also provide improved opportunities for events and celebrations of civic life.

The strategy sets out seven key opportunities:

1. Culture and night time economy
2. Key sectors for the future
3. Community action and leadership
4. Green freeport
5. City centre
6. Transport
7. Housing

In relation to ITH, it is considered opportunities one and five are the most relevant.

The Strategy adopts six high-level Outcomes to be progressed by public, private and community partners. These are based on existing national, regional and local policies. The priority outcomes respect the role of Inverness as the largest urban centre in the Scottish Highlands and recognise the city's important role as regional hub; offering major facilities in healthcare, leisure, sport, tourism, culture, justice and education, as well as attracting visitors from across the Highlands, the Isles, Moray and much of the world.

1. **The recognised prime destination for locals and visitors** alike to spend their time and money. A place where businesses want to invest and develop high quality, attractive offerings.
2. **A living, working city:** more quality homes for all in welcoming mixed-use neighbourhoods, with easy access to work, facilities and leisure, without overwhelming services to the detriment of existing residents. Protection of built and cultural heritage assets of the city.
3. **A green and healthy city:** open green space is accessible to all with improved parks and open spaces. Biodiversity is restored and enhanced - nature networks are functioning across the city and connect with the rural hinterland, allowing nature to thrive. A greener city and city centre not only supports health and recreation but also contributes to civic and cultural vitality.
4. **Zero-carbon:** a city at the heart of a region that is leading the world on renewable technologies, now and for future generations. A just transition to a zero-carbon transport network across a city where all homes and businesses are powered by renewable energy.

5. **Accessible and connected:** the city has become better connected to the rest of Scotland, the UK and the rest of the world for passenger and freight transport, with welcoming connections to Inverness Airport, the rail network, the bus network, the Port of Inverness, Trunk Road Network and the Caledonian Canal. Walking, wheeling, cycling, public transport and other sustainable travel choices have become viable, intuitive choices for city residents, visitors and commuters. A modal shift in transport has reintroduced 'life' to city streets – creating more space for civic life and community interaction, and improved resilience to climate change.
6. **Digital city:** support for remote working and co-working spaces; 5G connectivity and continued roll-out of full-fibre network. Integration of real time traffic flow data, parking availability and public transport timings. Smart City applications to control street lighting, energy production, storage, smart-heating, ventilation.

In relation to ITH, it is considered outcomes one, two and six are of most relevance.

The strategy sets out key aspirations against each outcome. The most relevant ones to ITH are shown below.

Prime Destination

- Identify the key commercial street frontages within the city centre and support activity on these streets to ensure they are economically viable and responsive to local market need
- Promote and strengthen the evening economy through the introduction of new food, beverage and leisure uses thereby, increasing footfall and activity into the evening
- Retain and strengthen existing cultural venues to benefit the local population and encourage tourism growth
- Support the provision of indoor and outdoor performance and exhibition space(s) for music, comedy, and the arts to strengthen the economy, tourism offering and to provide a safe space to gather as a community for a variety of events
- Strengthen the connection of the Caledonian Canal and the Port of Inverness to the city centre
- Seek the improvement of the external finish and fabric of city centre to safeguard their future and reduce negative appearances
- Support and where necessary, improve existing Civic Spaces
- Revitalise vacant and under-used sites, buildings, and upper floor accommodation for a diverse range of uses, including ... the Town House

Living Working City

- Support community spirit and the cultural life of the city - including provision of indoor and outdoor performance and exhibition space(s) for music, comedy, and the arts to strengthen the economy, tourism offering and to provide a safe space to gather as a community for a variety of events.
- Support and where necessary, improve existing Civic Spaces
- Revitalise vacant and under-used sites, buildings, and upper floor accommodation for a diverse range of uses, including ... the Town House.

Digital City

- Support opportunities for development of co-working space

9.2. Local Market

The following headline data is noted in terms of the local population. Data is sourced from Experian Demographics and is based on a 45-minute drive time from ITH.

- 152,269 population
- C1 (Supervisory, cleric, junior manager, admin) most common social grade, representing 30.10%.
- C2 (skilled manual workers) second most common social grade, representing 25.88%; closely followed by DE (semi-skilled/unskilled manual workers/on state benefit/unemployed) representing 25.29%
- Household income bands under £29,999 under represented when compared to the national base
- Household income bands between £30,000 and £69,999 over represented when compared to the national base
- 56,648 people over the age of 55 (over represented compared to national base)
- 22,632 people under the age of 15 (under represented compared to national base)
- Top three Mosaic Groups¹ are:
 - Rural Reality: 46,025 people
 - Country Living: 35,108 people
 - Aspiring Homemakers: 13,322 people

THC has outlined a comprehensive strategy to promote Inverness as a hub of economic, social and cultural activity. This includes improving infrastructure, enhancing public spaces, and supporting local businesses. Plans are in place to ensure the city centre remains vibrant and attractive, with a focus on sustainable development and community engagement.

The local economy is expected to benefit from growth in tourism and high-tech industries. The population is projected to continue growing, driven by the city's high quality of life and economic opportunities.

In summary, Inverness city centre has experienced significant growth over the past decade and is poised for continued development. The future outlook is positive, with strategic plans in place to support sustainable growth and enhance the quality of life for residents.

9.2.1. Inverness & Cromarty Firth Green Freeport

The newly formed Inverness and Cromarty Firth Green Freeport company includes Port of Cromarty Firth, Port of Nigg (Global Energy Group), Port of Inverness, Highland Deephaven and Port of Ardesier (Haventus). THC alongside over thirty regional and national businesses, public sector organisations and academic bodies have collaborated to support what is the most transformative project in the Highlands for decades.

The Green Freeport is set to have a substantial impact on the Inverness economy both demographically and financially. The port is set to bring 11,300 new jobs to the city and across the Highlands in order to service the new projects which will be centred in Inverness. This will have a significant knock-on effect on the demand for housing and commercial space in the city.

The Green Freeport deal is also estimated to result in £6.5bn worth of investment into Inverness and surrounding areas over the next 25 years. This will help to bolster infrastructure in order to facilitate the large-scale projects coming from the ports in the region.

¹ <https://www.experian.co.uk/business/platforms/mosaic/segmentation-groups>

9.3. Visitor Market

The Inverness and Loch Ness area has experienced continued growth in visitor numbers, increasing by 22% on pre-pandemic levels to 1.7m people in 2023, spending over 2.9m nights and £371m within the local area. Tourism is by far the largest sector of the economy across the wider-Inverness area, with accommodation alone contributing over 25% to local economic activity.

Data from the International Passenger Survey (IPS), conducted by the Office for National Statistics (ONS) shows that international visitors to the Highlands in 2023 surpassed the numbers in 2019 by 3%. The total number of nights increased by 11% to 2.66 million.

Data from the Scottish Government shows that 18,000 people were employed in tourism in the Highlands in 2023. Whilst this figure is down on 2019 (19,000), it is higher than in 2009 to 2018. The data also shows that there were 1,500 tourism business units in 2024, an increase of 10% on 2019 and the highest number across the last decade.

In terms of visitor profile, looking at 2023, 34% were domestic visitors versus 66% international visitors. 50% were repeat visitors.

- Average visitor group 2.6 people
- Average nights in Inverness 2.3
- Children (under 16) in group 9%
- Life Stage:
 - Pre-nesters 16%
 - Families 8%
 - Older independents 45%
 - Retirement age 31%
- Visitors stayed on average 2.3 nights in Inverness
- Top reasons for visiting:
 - Scenery and landscape
 - History and culture
 - Scotland's people
- Accommodation type:
 - Hotel 54%
 - Self-catering 23%
 - Guest House / B&B 13%

9.3.1. Accommodation Occupancy

Self-catering

	2023	2024
Scotland	41.58%	43.07%
Highlands	48.52%	47.81%
3-star	44.84%	50.91%
4-star	48.20%	46.64%
5-star	52.12%	59.23%

Hotel

	2023	2024
Scotland	65.51%	74.36%
Highlands	72.13%	75.82%
3-star	68.24%	75.91%
4-star	60.15%	72.09%
5-star	75.66%	74.57%

9.3.2. Visitor Attractions

The persistent economic challenges being felt across the industry remain in the visitor attractions sector, with the impact of the last budget in October (2024) yet to fully play out. National living wage increases and changes to employers' national insurance contributions due in April will increase costs at a time that disposable income and leisure spend remains squeezed.

There are reasons to be optimistic however, with consumers continuing to favour high quality and innovative experiences that allow them to spend time with family and friends. The importance of communicating the emotional benefits of a visit and creating a connection with the visitor at key touchpoints has been shown to have the greatest impact.

The Association of Scottish Visitor Attractions (ASVA) December 2024 report shows that overall visits to member attractions (c.300) in 2024 was up 5.7% on the previous year. However, numbers are still down compared to 2019 levels. The Highlands experienced a modest 0.5% increase between 2023 and 2024.

"The pandemic has cast a long shadow, and we are still not out of it. However, on a positive note, the visitor attraction sector is very resilient and creative and by Christmas 2024, many attractions saw record numbers attending seasonal events. In terms of re-building businesses to pre-pandemic levels, attractions need to firstly ask themselves ... how do we build better creative partnerships with experts and suppliers to support us and add value?" Bernard Donoghue OBE, Director, Association of Leading Visitor Attractions (ALVA)

9.3.3. Inverness Castle Experience

Inverness Castle is an iconic Category A listed building of national and international significance, situated in the centre of the Inverness, on Castle Hill above the banks of the River Ness. It has historically been used by the Scottish Courts and Tribunals Service (SCTS) and THC for court and office purposes. However, the SCTS moved from the castle in April 2020, transferring to a new Justice Centre elsewhere in Inverness.

This has provided a real opportunity to create a significant tourism asset in Inverness at the castle that will function as a focal point for the promotion of tourism across, and draw visitors to, the Highlands. The Inverness Castle Visitor Experience is expected to attract around 500,000 visitors per annum.

The development of Inverness Castle is a THC project, managed by High Life Highland (HLH) on behalf of THC. THC leads the project as part of the Inverness and Highland City-Region Deal (CRD) and is one of fifteen projects funded through the Deal. HLH manages the project on behalf of THC. HLH is a charity registered in Scotland, a company limited by guarantee and wholly owned by THC. HLH is the leading organisation in Highland for developing and promoting opportunities in culture, learning, sport, leisure, health and wellbeing.

The Castle Experience will include general ticketed admissions, bespoke tours, events, retail and food & beverage provision. It is understood that the café/restaurant in the Link Building and the bar in the North Tower will both open from 0930 to 2230 on a daily basis. It is understood that the Castle will seek to devise a calendar of year-long events to attract locals and visitors to the castle and its grounds, outwith the core visitor experiences. The programme is likely to celebrate well established dates throughout the year such as Burns Night, Valentine's Day, Easter, Halloween, St Andrews Day, Christmas and many others.

9.4. Weddings

In 2024, wedding venues faced challenges in securing new sales. Venues we work with across the UK reported lower sales figures compared to targets and the previous year. This decline is attributed to the lingering effects of COVID-19 on new relationships, causing fewer engagements. However, this is likely to be a short-term challenge and 2025 has started stronger in terms of sales.

Venues are facing rising costs along with concerns about sales performance. The Consumer Price Index reports a 13% increase in the cost of alcoholic beverages and an 18% rise in food prices since 2022.

2024 in numbers

- Average age of wedding couple was 35
- Average number of guests was 89
- 72% of couples had their ceremony and reception in the same place
- 65% were married within 30 miles of home
- 46% of couples now use Instagram to research venues
- 59% of couples would not contact a venue if pricing is not available online
- Average spend is £20,822
- 25% of couples are getting married for under £10,000 (same as in 2017)
- 51% of weddings on a Saturday; 15% on a Friday

Local Demand

Data from THC (Registration of Births, Deaths and Marriages Annual Report 2023) and National Records of Scotland shows:

- 1,487 marriages in Highlands (2019)
- 1,875 marriages in Highlands (2022)
- 1,689 marriages in Highlands (2023)

Based on the 2022 data, 588 marriages took place in Inverness. Based on 72% of couples having their ceremony at the same venue as their reception, this **results in a market demand for ceremony only venues in Inverness of circa 165 per annum**. However, 14% have their ceremony in a place of worship. This results in a **market demand for ceremony only venues (non-religious) in Inverness of 82 per annum**.

9.5. Retail & F&B Market

Inverness benefits from a large catchment area and loyal customer base, given lack of nearby competing cities, with Aberdeen being the nearest major centre and being over 100 miles away. That said the city centre does see competition from the out-of-town retail parks, which have strong line up of occupiers and benefit from ease of access and free car parking. The city centre also benefits from a strong tourist presence with the city being a popular stopping point for many tourists visiting the wider Highlands and Islands area.

However, as with most the UK's main towns and cities, the city centre has suffered from the rise in popularity of online retailing, and there is generally an overprovision of retail accommodation now. This can be seen from level of vacancy within the Eastgate Shopping Centre, which along with the High Street forms the prime retailing pitch in the city centre. The High Street itself also has several vacant/available retail units and over the past two to three years the trend has been for vacant space to be taken up by tourist orientated shops, compared to the national retail chains we have seen in the past.

The majority of recent lettings on the High Street itself have been to Scottish gift shops and rents have generally been in the region of circa £50,000 - £60,000 pa for a circa 2,000-2,500 sq. ft unit.

Moving away from the High Street onto the more secondary retailing streets e.g. Inglis Street, Academy Street, Union Street etc. the vacancy rates increase and there is less demand from occupiers.

The food & beverage (F&B) provision in Inverness is scattered around the city centre but with the prime /most in demand space being located close to or overlooking the river. While there are a few national chains within the city, the F&B market is mainly dominated by some strong local operators. In addition to the riverside bars/restaurants, the Victorian Market on Academy Street is also a popular F&B destination.

Castle Street is a secondary retail pitch and is also home to several well-known restaurants/bars (e.g. Café One). The retail offer on the street is mainly focused towards tourist trade and driven by tourist footfall. The east side of Castle Street is seen as the stronger side of the street with higher footfall due to it being the sunnier side of the street and having the majority of retail units on this side. Rents on Castle St are much lower than the High Street, with very few recent letting comparables.

9.6. Hotels

New research has found that hotels in Scotland are outperforming the UK average for RevPAR, ADR and growth. According to real estate analytics company CoStar, 12-month data through to October highlights that hotels across the region have managed to increase RevPAR (revenue per available room) by 8.5%, significantly ahead of the UK average, which is approximately 2.4% higher than 2023.

Hotels in the Highlands have also fared well, as evidenced by RevPAR results for hotels in the Inverness Area submarket. Hotels here experienced robust growth in occupancy and rates over the past 12 months, particularly from overseas visitors, who accounted for 53% of overnights in the area.

After its initial entrance within the top ten during the 2023 index, Inverness has continued its ascent up the ranks, now firmly established in third place. This growth is supported by the increasingly strong appeal of Scottish destinations to visitors which has resulted in solid performance metrics, together with a limited pipeline under construction and favourable build and land costs.

The demand for hotels in Inverness city centre has been quite dynamic over the past few years. Currently, there is a significant demand driven by both leisure and business travellers. This demand has led to a boom in hotel construction, with several new hotels being developed in recent years.

Five years ago, the demand for hotels in Inverness was already strong, but it has grown considerably since then. Back in 2019, Inverness was recognised as a top spot for hotel development in Scotland due to its high occupancy rates and relatively low development costs. The city has continued to attract significant private investment in new hotel projects, reflecting a sustained and growing interest in the area.

Currently, there is a balance between supply and demand, with new hotels being built to meet the increasing demand. The overall trend indicates that the supply is keeping pace with the demand, thanks to ongoing investments in new hotel developments.

The future outlook for the hotel market in Inverness city centre is positive. The continued development of new hotels and the enhancement of existing ones are expected to attract more visitors. Projects like the redevelopment of Inverness Castle and the Victorian Market are also likely to boost tourism and, consequently, the demand for hotel accommodations. Additionally, the growth of other industries and the announcement of the Green Freeport are expected to bring more business travellers to the city.

9.7. Self-Catering

The demand for self-catering accommodation in Inverness city centre has been robust and continues to grow. This type of accommodation is popular among tourists who prefer the flexibility and home-like environment it offers.

Five years ago, the demand for self-catering accommodation was already strong, but it has increased significantly since then. Back in 2019, Inverness was recognised for its high occupancy rates and the growing popularity of self-catering options. The trend has continued, with more visitors opting for self-catering accommodations due to the comfort and convenience they provide.

Currently, there is a healthy balance between supply and demand. The supply of self-catering accommodation has increased to meet the rising demand, with new properties being developed and existing ones being upgraded. However, during peak tourist seasons, demand can still outstrip supply, leading to high occupancy rates and increased prices.

The future outlook for self-catering accommodation in Inverness city centre is positive. Ongoing projects like the redevelopment of Inverness Castle and the Victorian Market are likely to boost tourism further. The city's strategic location as a gateway to the Highlands also ensures a steady flow of tourists, which bodes well for the self-catering accommodation market.

9.8. Office Market

9.8.1. Inverness Commercial market

The Inverness office market can be said to be imbalanced. It remains a two-tiered market between 'in-town' and 'out-of-town' space. Each of these submarkets have differing characteristics attracting different tenants due to the nature of the space which can be provided.

9.8.2. City Centre

Office suites within the city centre / in-town office market are located within typically traditional buildings often of mixed use with retail elements at ground floor level and the office space above. As a result, space is generally cellular in nature and can be difficult to make alterations with historic building regulations which are in place. Within the City Centre there has been almost zero new development or refurbishment projects undertaken in the last decade to provide modern and high specification office space. This has resulted in a lack of good quality stock available in the City Centre. Typical office suites in the City Centre are around 1,000 sq. ft which is suitable for the generally small sized office requirements, ranging from 500 to 1,500 sq. ft.

Key sectors operating within Inverness City include public administration, tourism, agriculture and renewable energy.

In regard to the rental values seen in the City Centre, the better-quality stock attracts £12- 14 sq. ft with the lower quality space attracting a £8-12 sq. ft rate. The market norm for incentive periods reflects 9-12 months of rent free granted per 5 years of lease commitment. Flexible leases and break options will of course result in a reduction of the incentive granted. Both Metropolitan House and Murray House are two of the modern offerings within the city centre, however, are still 15-year-old buildings.

9.8.3. Business Parks

In contrast to the city-centre there are the out-of-town business parks which provide larger office pavilions. Whilst there is a number of out-of-town business parks across Inverness, these locations generally provide older stock. While these pavilions provide a vastly different offering to what is seen in the City Centre, the appetite for development has remained the same with no new office developments seen in the last 15 years. The last of these to be built was Cradle Hill Business Park in 2008. There have been a number of refurbishments conducted across the parks however, none which have created a new Grade A space offering to the market. There is the University Highlands and Islands (UHI) Beechwood Park, which is the most modern of these business parks, however, has been strictly designated to life science use and will reject proposals from prospective tenants in other industries.

Rental levels within the parks remain stable at £16 sq. ft for the majority of suites with some deals occurring at slightly higher rates of £16.50 and £17.00 Sq. ft however this is likely down to the fact some of the fit-out has been incentivised or extended rent-free periods have been granted. These rents are beginning to push up as supply has tightened throughout the parks. The below table shows a list of notable deals which have occurred at the business parks in 2024:

Building	Tenant	Sector	Rent (psf)	Size (sq ft)	Comments
Ord House, Cradlehall Business Park	Ledingham	Legal	£16	6,150	Lease of whole building
Alton House 4 Ballifeary	Various	Variety of service providers	£14-18	250-1,000	Short term deals
Kintail House, Cradlehall Business Park	British Red Cross	Charity	£15.93	2,416	5-year lease. 6 months' rent free. 9 car spaces
Etive House, Beechwood Business Park	CHAS	Charity	£16	1,000	2-year deal only. 2 car spaces
Kintail House, Beechwood Business Park,	Thorntons	Legal	£17	4,500	10-year lease with break option on 5th anniversary.

Feasibility Review

Inverness Town House

savills

Barony House, Stoneyfield Business Park	Fairhurst	Professional Services	£16	4,506	10-year lease with 5 yearly break option. 18 car spaces
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9.8.4. Inverness Office Supply

Across the entirety of the Inverness office market, stock remains a significant issue. This is particularly the case for office suites over the 2,000 sq. ft size. The majority of available office stock sits between 500 – 1,500 sq. ft across both the in-town stock and business park stock. As previously mentioned, there is no private sector new-build development as rising build costs and stable low rents have made construction unviable for developers.

The below table highlights the more prominent developments and buildings which are available for rent in Inverness:

Address	Sq.ft available	Quoting Rents (sq.ft)	Comment
Moray House, Bank Street, Inverness	3,000	£14	Refurbished city centre space. No car parking available.
Etive House, Beechwood BP, Inverness	5,000 (over 3 suites)	£16	Business Park location. Car parking is currently limited albeit landlord looking to offer additional 8 spaces via planning application. Space in need of modernisation.
Kintail House, Beechwood BP, Inverness	6,442	£17	Business Park location. 2 suites available circa 3,000 sq. ft each. Car parking ratio of 1:300 sq. ft which is reasonable.
1 Cromwell Road, Inverness	982	£9.50	Secondary location. Average spec'd office.
15A Harbour Road, Inverness	1,822	£14.50	Secondary location. Sub-let only.
Mulberry House, 39-41 Harbour Road, Inverness	2,185	£13.50	Modern space after refurbishment 7 years ago. Good car parking availability. Not a business park location.
Hazel House, Stoneyfield BP, Inverness	5,772	£16.50	Business Park location. 18 dedicated car parking spaces
New Century House, Longman IE	25,000	£12	Prominent building but secondary location. Clients' preference is to sell. Limited enquiries for a building of this size and type.
Former UHI Exec office, Ness Walk, Inverness	13,972	£16	Prominent building but not traditional office location. Clients' preference is to sell. Limited enquiries for a building of this size and type.
Larch House, Stoneyfield BP, Inverness	7,500	£16	Business park location. Smaller suites available to cater to demand. On-site carpark

Feasibility Review

Inverness Town House

savills

The above table shows there is c.75,000 sq. ft of office space available across the market in both the city and business parks. This constricted supply is likely to result in rents increasing as Inverness becomes more attractive and development remains limited.

9.8.5. Notable Requirements and Demand

The below table shows notable requirements which were live in the market as of November 2024:

Tenant	Sq.ft required	Comment
Global Infrastructure	4,000	Outgrowing Beauly office, need for modern space with car parking. Majority of staff based in Inverness. Space required for 40 desks. Car parking is a concern.
Independent Parliamentary Standards Authority (IPSA) c/o Ryden	600-1,000	Seeking city centre space (walking distance from train station). No car parking required.
We Buy Any Car	500	Seeking office space for 2 desks however require 10 car parking spaces.
RJ McLeod (Contractors) Ltd	1,000	Seeking short term (6-9 months) serviced office space.
Larsen & Ross	500	Seeking small office with limited budget.
c/o Spring 4	4,000 – 6,000	Preliminary search on behalf of a client. Need the ability to downsize after the first 12 months. Contract led. Initial search only as part of tender.
Hitachi Energy	1,000	Project office in city centre. Car parking not a priority
Narro Engineers	1,000	Seeking options. Currently in poorly spec'd accommodation. Car parking importance as well as modern space
Nordex Group	1,500	Seeking options. Would prefer industrial area. Car parking is important
Kumon Centre	1,000	Seeking options, will have children on site so require Class 10 (non-residential institution). Car park / drop off area required

Improved quality of space will be a key driver for the occupiers on these lists. Alongside this, car parking availability is something that will be a priority for these ingoing tenants due to the high proportion of employees living out of town and limited public transport networks. As with all modern occupiers, strong energy efficiency credentials and amenity space will also be a high on the agenda.

A number of the requirements seen above have stemmed from the freeport announcement and the expected rise in businesses centred in Inverness. There is expected to be an influx of requirements for space from firms within the energy industry as a result of the Inverness and Cromarty Green Freeport status being granted. The feedback on the effect of this from local agents, however, is that the impact will take longer to be seen than initially expected. It is likely that there will be period of a couple of years for requirements to filter through as new contracts are awarded and infrastructure built to support new business operating within Inverness and the surrounding areas. As a rough timescale it will likely be 5-10 years before a substantial change in demand is realised.

9.9. Comparable Properties

As part of the analysis of alternative uses at ITH, a review of comparable properties was conducted. It is clear that there is a preference for a mixed-use development, comprising ongoing civic requirements, community access and commercial generation. Such uses can help maximise the utility of the town hall and foster a stronger sense of community.

Common uses can be summarised as follows:

- **Community Events:** Hosting local events such as fairs, markets, and festivals
- **Cultural Activities:** Organising art exhibitions, theatre performances, and concerts
- **Educational Programs:** Offering workshops, classes, and seminars on various topics
- **Public Meetings:** Providing a venue for town hall meetings, public forums, and community discussions
- **Private Functions:** Renting out space for weddings, parties, and other private events
- **Health Services:** Setting up temporary clinics, health fairs, and vaccination drives
- **Emergency Shelter:** Serving as a shelter during natural disasters or emergencies
- **Recreational Activities:** Hosting sports events, fitness classes, and recreational clubs
- **Non-Profit Activities:** Providing space for charity events, fundraisers, and non-profit organization meetings
- **Business Conferences:** Facilitating business meetings, conferences, and networking events

Inverness Creative Academy

Owner: wasps

Operator: wasps

Website: <https://www.waspstudios.org.uk/space/inverness-creative-academy/>

Description: comprises two redeveloped Category B listed buildings in Inverness city-centre. The Highlands first major creative hub, offering working accommodation for artists, creative industries, social enterprises and charities.

- 24/7 access for tenants (via electric door key fob system)
- Staffed reception Mon-Fri 0900-1700
- High-speed fibre broadband
- Flexible lease options
- 32 artist studios (£95 to £500 pcm depending on spec)
- Unlimited hot desking £135 pcm; 8-days per month hot desking £100 pcm
- Fixed desk membership £175 pcm
- Private offices
- Exhibition space
- Events venue for hire (former gym hall) £25 per hour; £300 per week for exhibitions
- Café (leased)
- Meeting room (8-people) £20 per hour
- Projector £30; flipchart £20; speaker system £30
- Staffing required out with 0900-1700, charged at £20 per hour
- Artist studios and private offices close to capacity
- Only allow creative industry tenants for offices – turn away other professions

- 8-person meeting room: rented by external groups c.1 to 2 times per week; also used by WASP tenants
- Artist studios from £95 to £500 per month
- Former gym hall venue: 300 capacity (standing); popular / good demand for conferences, training, fundraising events etc. Tend not to accept events that include alcohol, e.g. ceilidhs, parties etc.
- Do not allow weddings
- Turn away enquiries from yoga teachers etc.

Paisley Arts Centre

Owner: Renfrewshire Council

Operator: One Ren

Website: <https://www.oneren.org/paisley-arts-centre/>

Description: recently renovated (£3 million), now offering a destination for culture, creativity and community. Variety of ticketed performances throughout the year across comedy, dance, drama, music, theatre and family events. Capacity c.130 seated. Ticked events range from £10 to £20

Paisley Town Hall

Owner: Renfrewshire Council

Operator: One Ren

Website: <https://www.paisleytownhall.org/>

Description: recently renovated (£22 million) to provide venue and performance spaces. Spaces available to hire for weddings, business gatherings and events. Regular performances including theatre, music, dance, comedy and talk. The Town Hall has five venue spaces, accommodating between 60 and 400 guests.

Pricing

- Weddings from £3,500 (full day)
- Performance hire from £1,825
- Live events & celebrations from £1,700
- Corporate events from £500
- Ticked events range from £22 to 26

Renfrew Town Hall

Owner: Renfrewshire Council

Operator: One Ren

Website: <https://www.oneren.org/venues/cultural-venues/renfrew-town-hall/>

Description: Victorian Town Hall, offering weddings, life events and corporate events. Capacity of 150 guests seated for dinner in main hall. Conferences for up to 200. Lesser Hall (seated 60) and Committee Room (seats 60) available for smaller events or ceremonies. Smaller meeting rooms also available for hire.

Pricing

- Weddings from £1,365
- Live events & celebrations from £531
- Corporate events from £102

Perth Museum

Owner: Perth & Kinross Council

Operator: managed in partnership between Perth and Kinross Council and Culture Perth and Kinross

Website: <https://perthmuseum.co.uk/>

Description: The new Perth Museum is housed in the former Perth City Hall, an iconic Edwardian building which has been at the heart of social, civic and political life in the area for almost 100 years. Funded by a £16.5 million investment from Perth & Kinross Council and supported by £10 million from the UK Government as part of the Tay Cities Deal. Free to enter visitor attraction, highlighting the objects and stories that put Perth and Kinross at the centre of Scotland's story. At its heart sits the Stone of Destiny, also known as the Stone of Scone, one of Scotland and the UK's most significant historical objects.

The Museum also features the Stone Cafe, museum shop, and learning and events spaces.

Falkirk Town Hall

Owner: Falkirk Council

Operator: Falkirk Council

Website: <https://www.falkirk.gov.uk/services/business-investment/falkirk-town-hall.aspx>

Description: A new town hall is to open in Falkirk in 2027. The modern civic space will house a 500-seat auditorium, flexible accommodation for commercial and community use and key council services. As an anchor project in the council's town centre masterplan, the new town hall will provide essential civic amenities, support regeneration and placemaking ambitions and also serve as a catalyst for inward investment that will benefit the whole area.

Civic House and Glue Factory

Owner: Agile House

Operator: Agile House

Website: <https://agile-city.com/>

Description: Agile City is a community interest company and operates as a social enterprise. They have two primary revenue streams – renting workspace and hiring space for events and production. Any profit generated is reinvested back into improving their facilities. Their core objectives are:

- **Create high-quality, flexible and vibrant space for work and events** for people working across architecture, design, food, film, making, and music.
- **Host a progressive event programme** to share ideas and build community across themes of city making, sustainability, cultural and social enterprise.
- **Initiate ambitious projects** that test how buildings, spaces and cities are produced in more equitable ways and contribute to the regeneration of our local area.

RCPE

Owner: Royal College of Physicians of Edinburgh

Operator: Royal College of Physicians of Edinburgh

Website: <https://www.rcpe.ac.uk/> and <https://venue.rcpe.co.uk/>

Description: professional membership organisation and registered charity. Prominent building located in central Edinburgh location. Includes office suites, meeting rooms, state of the art conference facilities and selection of three flexible venue spaces, for college requirements and external (weddings, corporate, private events). Created secondary website to promote the property as a venue for hire.

Chelsea Old Town Hall

Owner: The Royal Borough of Kensington and Chelsea (local authority)

Operator: The Royal Borough of Kensington and Chelsea (local authority)

Website: <https://www.rbkc.gov.uk/venues-in-kensington-and-chelsea/chelsea-old-town-hall>

Description: recently refurbished Grade II Victorian property. Available for weddings, receptions and a range of events. Three interconnecting venue spaces. Programme of ticketed events including boutique shopping fayre, sustainability workshops, art/antiques fayre and wine tasting/games nights.

10. Appendix 2 – Building Zoning Floor Plans (Attached)

INVERNESS COMMON GOOD FUND
BUDGET 2025-26

APPENDIX 3

	Classification	Category	Draft Budget 2025/26 £000	Annual Budget 2024/25 £000	Variance £000
Victorian Market Operations	Cost Recovery	Property Costs - Victorian Market	35	35	-
Victorian Market Management	Cost Recovery	Property Costs - Victorian Market	65	65	-
Victorian Market Service Charge	Essential	Property Costs - Victorian Market	174	174	-
Victorian Market Maintenance	Essential	Property Costs - Victorian Market	120	120	-
Victorian Market Marketing	Essential	Property Costs - Victorian Market	-	50	(50)
Town House Maintenance	Essential	Property Costs - Town House	75	140	(65)
Town House Utilities and Cleaning	Essential	Property Costs - Town House	150	150	-
Town House Future Planning	Essential	Property Costs - Town House	-	30	(30)
Town House Enabling Works	Essential	Property Costs - Town House	100	-	100
Town Clerks office	Essential	Property Costs - Town House	15	-	15
Other Properties	Essential	Property Costs - General	65	75	(10)
Ness Islands & Bank Maintenance	Essential	Property Costs - General	36	36	-
River Ness Fishings	Essential	Property Costs - General	15	20	(5)
ICGF - Bowling Clubs	Essential	Property Costs - General	51	51	-
Civic Amenity Spaces	Discretionary	Civic Costs	44	-	44
Castle Hill clock	Discretionary	Civic Costs	-	-	-
ICG - Civic Hospitality	Discretionary	Civic Costs	73	75	(2)
ICG - Civic Contingency Fund	Discretionary	Civic Costs	20	20	-
ICGF- Town Twinning	Discretionary	Civic Costs	10	10	-
Community Events	Discretionary	Civic Costs	220	177	43
Community Events contingency	Discretionary	Civic Costs	50	20	30
Commemorative Bedding	Discretionary	Civic Costs	-	7	(7)
Festive Lights	Cost Recovery	Civic Costs	73	73	-
Winter Payments	Discretionary	Grant Expenditure	237	223	14
ICGF Grants - Poverty and inequality	Discretionary	Grant Expenditure	160	121	39
ICGF Grants - other	Discretionary	Grant Expenditure	80	40	40
ICGF - Conference Support	Discretionary	Grant Expenditure	30	24	6
City Destination Projects	Discretionary	Resilient Inverness	80	-	80
Operation Respect - Community Safety	Discretionary	Resilient Inverness	11	-	11
Operation Respects Campaign	Discretionary	Resilient Inverness	25	-	25
City Flowering	Discretionary	Resilient Inverness	75	-	75
ICGF Promotions	Discretionary	Resilient Inverness	50	25	25
Partnership Working	Discretionary	Resilient Inverness	-	143	(143)
CCTV	Discretionary	Resilient Inverness	50	50	-
Property Management Fees	Cost Recovery	Administrative & Central Support	142	143	(1)
Central Support Charge	Cost Recovery	Administrative & Central Support	97	97	-
Investment Advisor Fees	Cost Recovery	Administrative & Central Support	10	10	-
Press & Public Relations	Cost Recovery	Administrative & Central Support	10	10	-
TOTAL EXPENDITURE			2,448	2,214	234
FUNDED BY:					
Rents & Lettings					
Industrial Estates			1,897	1,860	37
Victorian Market			197	177	20
Town House new tenants			56	55	1
ICG - 1-5 Church Street			98	95	3
River Ness Fishing Rights			5	8	(3)
Town House dilapidations			124	-	124
Other Properties Rents			30	30	-
			2,408	2,226	182
Other Income					
Fishing Assessment Dues			15	20	(5)
Refund VAT Invest Mngt Fees			4	4	-
Contribution from Benevolent Funds for Landward Winter Payments			20	40	(20)
Interest on Revenue Balances			1	1	-
TOTAL FUNDING			2,448	2,290	157
Surplus/(deficit) before projects			(0)	77	(77)
Estimated Revenue Reserves 24/25			5,206		
Budget surplus/(deficit) for 25/26			-		
Forecast Year-End Reserves 25/26			5,206		
Cost Recovery			432	433	(1)
Essential			801	846	(45)
Discretionary			1,215	935	280
			2,448	2,214	234