Agenda Item	**9b**
Report No	**CIA/38/26**

The Highland Council

Committee: **City of Inverness Area**

Date: **17 August 2026**

Report Title: **Inverness Common Good Fund – Victorian Market Financial Monitoring 2026/27 to 31 May 2026**

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

1 Purpose/Executive Summary

1.1 This report presents the budget monitoring position for the Victorian Market to 31 May 2026.

1.2 This is a new report format for 2026/27 which will provide Members more power to scrutinise and monitor revenue costs associated with the Market.

1.3 This report provides a detailed breakdown of the income and expenditure within for the Market in a newly produced format appendix showing cost items along with the overall budget.

2 Recommendations

2.1 Members are asked to:-

i. **Consider and** comment on the new report format set out within Appendix 1;
ii. **Scrutinise and note** the spend breakdown set out within Appendix 1; and
iii. **Note** the intention to develop this new report format for the Victorian Market through 2026/27 as detailed at section 8

3 Implications

3.1 **Resource** – Financial implications are as outlined in this report. The original Business Plan for the Market envisaged a fully let market hall, which, as previously reported to committee, has not been possible due to the constraints on electricity. Work continues to enable all units to be let.

3.2 **Legal** - The application of funds will fall within the competency guidelines set out both in statute and in common law in relation to Common Good Funds.

3.3 **Risk** - There is a risk to the long-term sustainability of the ICGF if over reliance is placed on reserves for the financing of revenue and any capital works. The Market is achieving the target set by the original business plan in respect of footfall increasing exponentially bringing not only benefit to the tenants within the Market but to the dwell time within the city centre. The revenue funding gap remains significant however, noting the increasing rent levels due to the increased footfall and with the potential of remaining units being let along with the recovery of further elements of the service charge currently met by the ICGF, risk to the ICGF will be reduced.

The provision of a further business plan identifying new ways to refine costs and increase income whilst not prejudicing the success of the market will further reduce risk and increase the potential of income to the ICGF.

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

3.5 **Gaelic** – There are no implications.

4 Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is a monitoring report and therefore an impact assessment is not required.

5 Introduction

5.1 This report provides an update on spend within the Victorian Market. It presents an overview of income and expenditure within the revenue monitoring statement budget headings, supported by a new appendix showing the what the costs relate to such as cleaning materials, electricity, waste management and water costs.

This report reflects the discussions around improved transparency and scrutiny of income and expenditure within the Market.

Going forward, the intention is to refine the appendix breakdown and reporting processes to provide greater clarity. This will support the development of a budget to better reflect spending patterns and what is required to operate the Victorian Market, while seeking to reduce the deficit incurred through Service Charge costs.

5.2 The original business plan for the Victorian Market was developed and agreed at Committee in 2019. It set out a vison to transform the market hall into a mixed-use destination that would strengthen the city centre, support local business growth, attract increase footfall and create a retail, food, leisure and community offering.

The redevelopment of the former market halls came at a time when the cost-of-living crisis and COVID-19 were having an intense impact on the capacity for small businesses to invest. When the business plan was agreed, a major plank was the establishment of new opportunities for micro businesses to grow and develop so that they became employers especially for homegrown talent.

To get the right businesses within the Market, great care was taken to ensure quality and a focus on an environment that attracted the most significant opportunity to increase footfall and dwell time in the city centre.

The Market has achieved this with most new businesses in the food hall growing from micro to small medium enterprises, employing people and growing new talent particularly in the hospitality sector. The award for Tourism & Hospitality Experience of the Year on 7 May 2026 was achieved against stiff competition from across the Highlands. This evidences that the refurbishment has delivered in this regard especially noting that footfall has increased from 4000 visitors per week in 2019 to up to 70,000 visitors per week.

5.3 Profitability is a different matter. Prior to the redevelopment the Market was costing less to run than it is now, however, it had no strategic plan for returning vibrancy and footfall as well as increasing income. COVID and the cost-of-living crisis have increased general costs significantly.

The Market opened in its refurbished form in September 2022. As a new concept, it took time to grow, and incentives were used to attract the right tenants.

It is normal for any new transformational redevelopment to take time to settle and begin to bring a return to the investment made. The Market is no different. All rent incentives have now expired. Tenants are paying service charge at the full rate and the issues around electricity supply are being overcome.

A sign of the vitality of the Market was shown when the former Storey Chocolates unit in the main arcade was offered for lease. Previously units in the Market would go unlet for many months with few interested parties. Now available units are oversubscribed and rent levels are increasing.

In addition, a review of service charge provisions is currently underway, and this will result in further recovery of costs, alongside the potential of income through an invitation to pay scheme being applied to the public toilets.

It is important to note that the provision of public toilets was agreed as part of the business case as a service to the city centre and replace those funded by the ICGF at Castle Wynd.

5.4 Currently all units within the Market Arcade are occupied and rent being recovered through the tenants.

Within the food hall area there are 4 units currently unoccupied. These units are 1,2,8 and 11. It is important to note that the costs associated with these units being void is covered by the ICGF. A new lease is currently under offer for Unit 2 following a successful marketing exercise with several interested parties tendering for the Unit. Once the Unit is operational, an electricity load-balancing review will be carried out in the hope that a further Unit – most likely Unit 8 - will be able to be let, all of which reduces the ICGF's liability for Service Charge.

Unit 1 is currently used as the staff base within the Market and Unit 11, former Sushi Inverness, has now vacated and the unit has been repurposed as a community space.

Charges currently being applied to the vacant units are as set below:-

Unit No	**Current costs to ICGF**	**Potential income if occupied (includes indicative rent)**
Unit 1	£12,885	£17,436
Unit 2	£17,381	£21,284
Unit 8	£9,548	£14,685
Unit 11	£9,812	£14,732
Total	**£49,625**	**£68,137**

5.5 The budget for the Victorian Market, as agreed at City of Inverness Area Committee on 2 February 2026, is set out below:-

Budget Heading	**Budget**
Income	
Victorian Market – Rents	£200k
Victorian Market Service Charge	£545k
Total	**£745k**
Expenditure	
Victorian Market Operations	£440k
Victorian Market Management	£97k
Victorian Market Service Charge	£200k
Victorian Market Maintenance	£142k
Victorian Market Marketing	£50k
Total	**£929k**

5.6 It is important to note that the budget set out has a deficit forecast of **£184k**. This is created mainly by service charging which is not allocated to the tenants due to existing lease arrangements within the Market Arcade.

Work is ongoing to find a way to reduce this service charge deficit, with a full review of all expenditure across the whole Market facility. This, along with attempts to let the empty units in the food hall, as noted at 5.4, will reduce the cost to the ICGF significantly in respect of the liability for Service Charge and an increase in rental income.

6 Revised Budget Headings

6.1 A review of the 2025/26 budget associated with the Victorian Market has been carried out. There is an identified need to set up new budget lines to improve monitoring of the income and expenditure and to assist members with the scrutiny process.

All spend was split between the budget lines detailed at section 5.5 of this report.

6.2 A description of the budget headings which are contained within the Revenue Monitoring statement within **Appendix 1** are detailed in this section.

6.3 Income

Victorian Market Rents – these costs are relating to the income generated for the rental properties.

Rents will be reviewed through our Estates team as required. At each review point any adjustments will be assessed and negotiated to ensure alignment with current commercial market rental values.

Victorina Market Service Charge – these are the costs which are recovered through the Market tenants.

Graham & Sibbald (G&S) act as the Council's managing agent for the property. Under this arrangement, they are responsible for collecting rental income and service charge related items. These finds are held with the Council being reimbursed through the service recharge process. These costs are managed through an apportioned share % agreed for each unit.

As the Market has now established itself, a further review of service charge heads of expenditure and the elements that can be properly brought into this account for recovery is being undertaken.

Importantly, service charge provisions only apply to the food hall tenants due to grandfather rights existing for the tenants in the Market Arcade, who pay an all-inclusive rent and therefore are not subject to the variables of the service charge.

6.4 Expenditure

All expenditure with exception to the Service Charge within the expenditure lines are part of the cost recovery through G&S.

The budget headings are all explained within this section.

Victorian Market Operations – the operations costs are generated for the day to day running of the market. Within these costs the following are included:-

- staff costs (excluding the market manager)
- utilities
- rates
- cleaning
- management of the toilets (not included in recharging)

- Market Arcade area
- ICT costs
- equipment hires
- stationery and service charge management costs

6.5 **Victorian Market Management** - These costs relate to the management of the Victorian Market. The relevant budget line includes cost recovery as a key element, with costs apportioned and recharged through a service charge to the Food Hall area only. At present, no costs are recoverable through rents charged to Victorian Market Arcade tenants via a service charge as detailed at 6.3. The expenditure primarily relates to salary costs, including approved overtime and standby payments for on-call requirements, as well as other statutory costs such as superannuation and the apprenticeship levy.

6.6 **Victorian Market Service Charge** – this budget line reflects the service costs associated with the Market Arcade area and empty unts within the Food Hall as detailed at 6.3.

These costs are fully covered by the ICGF.

6.7 **Victorian Market Maintenance** - This budget line has a part cost recovery relating to the Food Hall area only. Market Arcade is covered by ICGF for Common Areas.

- The Council's responsibilities are that we are responsible for the repair of the structure, roof, foundations, exterior, common parts, and shared mechanical and electrical services where applicable within the building. Any recharge back to the tenants is done through the apportioned share where applicable.

- The tenants' responsibilities are they must keep their premises including fixtures, fittings and internal surfaces in good and substantial repair, clean and tidy and maintain any mechanical and electrical plant serving the premises.

6.8 **Victorian Market Marketing** – this function is provided through a third-party provider which is externally procured. From 2025/26 this is fully rechargeable through the service change.

The Market marketing function encompasses the overall management and delivery of promotional activity for the venue. This includes overseeing the marketing budget, organising and delivering events and managing the Victorian Market website and its content. The function is responsible for designing and implementing all promotional materials, both print and digital, as well as signage and in-market displays. It also manages the digital screens within the Market and maintains active partnerships with key organisations such as Inverness BID, VisitScotland, Visit Inverness Loch Ness and a range of local and national partners. Regular communication with market tenants is maintained, alongside a consistent social media presence, with a minimum of five posts per week to promote the Market, its traders and events.

7 Income and Expenditure – Year to Date

7.1 **Appendix 1** sets out the spend in the Market to 31 May 2026/27. A description of each of these budget lines is detailed below, alongside the spend to 31 May 2026 and whether this is included within the service charge applied to tenants within the Foodhall.

7.2 Income

Area of Spend	Current Spend Budget/Actual	What it Covers
Rents	£33,280	Income generated form rent payments
Service Charge		Service recharge reimbursement
Miscellaneous		Other income streams

7.3 Expenditure

Area of Spend	Current Spend	What it Covers	Included in Service Charge
CCTV Service Charge	nil	Annual Subscription for independent CCTV system within the Market	Y
Cleaning Materials	£715	Cleaning materials purchased for the cleaning of the Market Common Parts.	Y
Cyclical Maintenance	nil	This a structured programme of preventive maintenance works caried out and regular intervals throughout the year. An example is gutter and downpipe clearance.	Y when it relates to the lease agreement
Electricity	£9,306	Electricity costs covered through the Common Parts are shown here. This will include tenants' electricity which is then recharged back to tenants. It will show as income through the service charge.	Y – note that the amounts recharged back to the tenants relate to the Food Hall area only. Where we have voids then ICGF cover the costs

Equipment Hire	£220	Items that are on a hire contract which includes full servicing. This includes Scrubber dryer which has a month charge but all servicing and maintenance of it are covered.	Y
ICT – Service Charge	£161	Covers costs relating public Wi-Fi within the Market.	Y
Licensing	nil	The Premises Liquor License fees are included in this section	N
Maintenance	£1,184	This covers day to day maintenance items carried out.	Y where applicable regarding the lease agreement with the tenants.
Marketing	£4,608	This cost covers the market element of the VM. This is carried out by an external contractor	Y recharge at 100% back to tenants.
Miscellaneous	£4,927	These are costs out with the scope of the headings provided. Please note that we will refine as the year progresses and new lines will be shown within the appendix. The cost relate to signage works relating to the Market.	Y where applicable
Overtime	£3,349	Overtimes costs relating to additional requirements to staff time.	Y – but at a percent charged for the Foodhall area only
Pest Control	Nil	Relates to services required for the Market.	Y
Rates	£8,980	Rates generated from the empty units.	N

Service Charge G&S	£53,749	This cost relates to void services charges within the Food Hall along with the costs associated with the Market Arcade.	N
Staff Costs	£38,073	Staff team cost in the day to running of the market	Y – but at a percentage covering the Foodhall area only
Staff Management Costs	£16,114	Managers costs	Y
Staff Safety	£1,089	Shop safe radio subscription along with staff training	Y
Stationary	nil	Purchase of stationary items.	Y
Toilets	£2,555	Costs of managing the toilet facilities on site	N
Waste Management	£3,231	Waste disposal costs associated with a contract set up for collections	Y – service charge costs relating to the Market arcade are covered through the ICGF
Water	£622	Water metering charges.	N – tenants are responsible for own water metering costs. Water charges covered relate to ICGF areas not included in Service Charge.
Landline Rental	£69	Phone rentals	N

7.4 Members are also invited to note that through the financial period of 2026/27 you may see increases in expenditure through the Victorian Market Operations budget. These costs are reviewed are where applicable be included as part of the service charge back to the tenants.

When there is an increase in the operations these costs will be also shown as part of income under Victorian Market Service Charge.

This proposed new reporting format for the Victorian Market will assist members in scrutinising any changes in spend during the financial year.

8 Next Steps

8.1 Members should note that a new budget report format within **Appendix 1** has been created to supplement the overall Common Good Revenue Monitoring Statement. This appendix provides an additional level of detail on income and expenditure by breaking down the spend by its individual budget areas in addition to the headline spend areas. The enhanced breakdown is intended to add another level of transparency and give Members greater visibility of the income and expenditure.

This appendix should be noted as supplementary information for this paper but moving forward, and following comments from Members, the intention is to use this as the basis for the budget setting for the Victorian Market for year 2027/28, while improving the format through 2026/27.

8.1 Recognising the budget pressures with the Market, works are ongoing to review the following:-

- current budgets set with Graham & Sibbald on the service charge and apportioned share % allocated;
- review of all current spend and savings applied where required;
- conclude the review for power supply so that unit 8 can be marketed;
- business plan review and development of the Victorian Market to be carried out with a 5-year plan presented, as detailed within item 9a on this committee agenda;
- progress with a banking solution option for Invitation to Pay for the Public Toilets;
- review any maintenance liabilities for the building and include in any future budget planning; and
- all work progressed to be in line with the development of a Common Good Strategy and Financial Strategy, as detailed at item 9a on this committee agenda.

Designation:	Assistant Chief Executive – Place
Date:	28 July 2026
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Appendices:	Appendix 1 – Victorian Market cost breakdown

Appendix 1 – Victorian Market Cost Breakdown

APPENDIX 1
MONITORING STATEMENT 2026/27
Victorian Market
For Period Ending May 2026

	Budget £000	Actuals £000		Actuals £
			Expenditure	
Victorian Market Operations	462	69	Staff Costs	38,073
			Overtime	3,349
			Electricity	9,306
			Rates	8,980
			Water	622
			Landline Rental	69
			Waste Management	3,231
			Cleaning Materials	715
			Equipment Hire	220
			CCTV - Service Charge	-
			ICT - Service Charges	161
			Licencing	-
			Cyclical Maintenance	-
			Staff Safety	1,089
			Stationery	-
			Toilets	2,555
			Pest Control	234
Victorian Market Management	97	16	Staff Management Costs	16,114
Victorian Market Service Charge	200	54	Service Charge - G&S	53,749
Victorian Market Maintenance	120	6	Maintenance	1,184
			Miscellaneous	4,927
Victorian Market Marketing	50	5	Marketing	4,608
				149,185
			Income	
			Miscellaneous	-
			Rents	33,280
			Service Charge - G&S	-
				33,280
			Net Total Expense/(Income)	115,906
				0