
Monitoring Report for 3 Months to 30 June 2017

Report by the Chief Financial Officer

SELKIRK COMMON GOOD SUB-COMMITTEE

29 August 2017

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Selkirk Common Good Fund for the three months to 30 June 2017 and full year projected out-turn for 2017/18 and projected balance sheet values as at 31 March 2018.**
- 1.2 Appendix 1 provides a projected income and expenditure position. This shows a projected surplus of £36,943 for the year.
- 1.3 Appendix 2 provides a projected balance sheet to 31 March 2018. It shows a projected decrease in the reserves of £31,015.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing projected rental income for 2017/18 and actual property expenditure to 30 June 2017.
- 1.5 Appendix 4 shows the value of the Newton Fund to 30 June 2017.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Sub-Committee:**
 - (a) Agrees the projected income and expenditure for 2017/18 in Appendix 1 as the revised budget for 2017/18;**
 - (b) Notes the projected balance sheet value to 31 March 2018 in Appendix 2;**
 - (c) Notes the summary of the property portfolio in Appendix 3; and**
 - (d) Notes the current position of the investment in the Newton Fund in Appendix 4;**

3 BACKGROUND

- 3.1 This report provides the Committee with financial information for the period to 30 June 2017 and projections to 31 March 2018. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2018.

4 FINANCIAL POSITION 2017/18

- 4.1 Appendix 1 provides details on income and expenditure for the 2017/18 financial year. The projected net position for the year is a surplus of £36,943.
- 4.2 **Income & Expenditure – Rental Income**
Rental income for 2017/18 is shown in Appendices 1 & 3, with Appendix 3 detailing the projected annual rental income by individual property.
- 4.3 **Income & Expenditure – Non-Property Related Income**
Income relating to deed of servitude on Selkirk Hill amounting to £1,500 has now been received. The projected out-turn includes an estimate for the interest receivable on cash deposited with the Council. This, however, does not show as an actual income until the end of the financial year as the amount is dependent on interest rates and the average cash revenue balance invested with the Council over the full financial year. The annual rate of interest applied to the cash deposits is expected to be around 0.30%.
- 4.4 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February from Newton Fund Investments. The proposed budget for 2017/18 is based on a distribution of 2.4% which will be subject to the overall performance of the fund.
- 4.5 **Income & Expenditure – Property Expenditure**
The property expenditure to 30 June 2017 is detailed in Appendix 3 by property.
- 4.6 **Income & Expenditure – Grants & Other Donations**
The grants and other donations approved and distributed to 30 June 2017 are shown below.

Grant Recipients	Approved	£
Approved and Paid to 30 June 2017		
-	-	-
Total Paid to 30 June 2017		0
Approved but not yet paid		
Selkirk Football Club – Floodlights Yarrow Park	21/06/17	5,000
Hill Warden Management Agreement	04/09/14	10,000
Scott's Selkirk Association (to offset nominal rent)	08/08/16	1,175
Total Grants Approved		16,175
Budget 2017/18		19,000
Unallocated/(Overallocated) Budget		2,825

4.7 **Income & Expenditure – Depreciation Charge**

The depreciation charge is projected to be £67,958. This is not a cash transaction and is off-set by a corresponding contribution from the Revaluation reserve. The variance to the previously reported depreciation charge of £76,358 is due to The Green Hut building being fully depreciated at 31 March 2017, thereby reducing the annual depreciation charge by £8,400. The net book value of £4,800 relating to The Green Hut as detailed in Appendix 3 represents the value of the land the building sits on and therefore is not depreciated.

4.8 Appendix 2 provides the balance sheet value to 31 March 2017, the projected movement in year and a projected balance as at 31 March 2018.

4.9 **Balance Sheet – Fixed Assets**

All fixed assets of the Common Good Fund are revalued every five years as part of the Council's rolling programme. The fixed assets were revalued at 1 April 2014. Appendix 3 shows the values of the individual properties at 31 March 2017, projected depreciation charges 2017/18 and projected value at 31 March 2018.

4.10 **Balance Sheet – Newton Investment**

- (a) The Newton Real Return Fund (Newton Fund) delivered a positive return of 1.2% in the quarter to 20 June 2017, in line with its benchmark of 1.1%. This was the Fund's second consecutive return in excess of benchmark since the previously reported under-performance in the second half of 2016.
- (b) However, as reported at the end of 2016/17, KPMG were commissioned to evaluate the Newton Fund in terms of its continued suitability for Common Good and Trust Fund investments. KPMG have conducted this assessment and have indicated there are more attractive options available within the market which would provide improved performance.
- (c) A further report will be produced and presented to full Council to seek approval to undertake a procurement exercise in line with the previously approved Scottish Borders Council Common Good and Trusts Investment Strategy.

4.11 **Balance Sheet – Cash Balance**

The cash held by the fund is projected to be £119,808 at 31 March 2018 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2017	82,865
Projected surplus/(deficit) for year from Income & Expenditure Statement	36,943
Projected net cash movement in Debtors/Creditors	0
Projected Closing Balance at 31 March 2018	119,808

4.12 **Balance Sheet – Capital Reserve**

The projections for the Capital Reserves include the unrealised gain for the Newton Fund as at 31 March 2017 but due to the nature of the markets no estimate has been made for the current years' movement.

5 IMPLICATIONS

5.1 Financial

In addition to the financial implications explained above in Section 4, costs may be incurred for the procurement of a new Investment Fund Manager.

5.2 Risk and Mitigations

There is a risk that investments in the Newton Fund may reduce in value due to market or investment performance. This risk cannot be fully mitigated; however, it is being managed by the selection of a Fund Manager with a clear objective of preserving capital values while aiming to produce returns in line with the benchmark.

5.3 Equalities

It is anticipated that there are no adverse equality implications arising from the proposals contained in this report.

5.4 Acting Sustainably

Whilst there are no economic, social or environmental effects arising from the proposals contained in this report, there are, through the activities reported upon, positive impacts upon the economy through protection of employment, positive impacts upon the quality of community life and improvements in local amenities and nurturing of local talent. The potential improvement in levels of income through the use of the new investment fund will act to make the Common Good Fund more sustainable in the future.

5.5 Carbon Management

There are no effects on carbon emissions arising from the proposals contained in this report.

5.6 Rural Proofing

There are no effects on rural proofing arising from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

There are no changes required to the Scheme of Administration or Scheme of Delegation arising from the proposals contained in this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their appropriate comments have been incorporated into this report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference: Selkirk Common Good Committee 21 June 2017

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SELKIRK COMMON GOOD FUND

INCOME AND EXPENDITURE 2017/18

	Actuals at 30/06/16	Full Year Approved Budget 2017/18	Full Year Projected Out-turn 2017/18	Full Year Projected Over/ (Under) Spend £	Para Ref	Commentary
	£	£	£	£		
Property Income						
Rentals Receivable	(55,129)	(69,593)	(69,593)	0	4.2	
Non-Property Related Income						
Interest on Cash deposited with Council	0	(317)	(317)	0	4.3	
Newton Fund Investment – Dividends Rec'd	0	(4,533)	(4,533)	0	4.4	
Other Income	(1,500)	(1,500)	(1,500)	0	4.3	Servitude Selkirk Hill
Total Income	(56,629)	(75,943)	(75,943)	0		
Property Expenditure						
Property Costs – General	(141)	15,000	15,000	0	4.5	Timing of year-end invoice
Total Property Expenditure	(141)	15,000	15,000	0		
Grants & Other Donations	0	19,000	19,000	0	4.6	
Running Costs						
Central Support Service Charge	0	10,000	10,000	0		
SBC Grant towards Service Charge	(0)	(5,000)	(5,000)	0		
Net Running Costs	0	5,000	5,000	0		
Depreciation						
Depreciation Charge	0	76,358	67,958	(8,400)	4.7	
Contribution from Revaluation Reserve	0	(76,358)	(67,958)	8,400	4.7	
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	(56,770)	(36,943)	(36,943)	0		

SELKIRK COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AS AT 31 March 2018

	Opening Balance at 01/04/17 £	Projected Movement in Year £	Projected Balances at 31/03/18 £
Fixed Assets			
Land & Buildings	3,158,927	(67,958)	3,090,969
Moveable Assets	1,500	0	1,500
Total Fixed Assets	3,160,427	(67,958)	3,092,469
Capital in Newton Investment Fund			
Investment in Newton Fund	185,000	0	185,000
Unrealised Gains/(Loss)	3,867	0	3,867
Market Value	188,867	0	188,867
Current Assets			
Debtors	1,908	0	1,908
Cash deposited with SBC	82,865	36,943	119,808
	84,773	36,943	121,716
Current Liabilities			
Creditors	0	0	0
Receipts in Advance	(2,534)	0	(2,534)
	(2,534)	0	(2,534)
Net Assets	3,431,533	(31,015)	3,400,518
Funded by: Reserves			
Revenue Reserve	(82,238)	(36,943)	(119,182)
Capital Reserve	(188,867)	0	(188,867)
Revaluation Reserve	(3,160,427)	67,958	(3,092,469)
Total Reserves	(3,431,533)	31,015	(3,400,518)

SELKIRK COMMON GOOD FUND

**PROPERTY PORTFOLIO PERFORMANCE FOR 2017/18
(Actual Income and Expenditure to 30 June 2017)**

Fixed Assets – Land & Buildings	Net Book Value at 31/03/17 £	Projected Depn Charge 2017/18 £	Projected Net Book Value at 31/03/18 £	Projected Rental Income 2017/18 £	Actual Property Expenditure at 30/06/17				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
The Green Hut	4,800	0	4,800	1,175	0	0	0	0	0
Town Hall Clock	0	0	0	0	0	0	0	0	0
Pant Well Monument	0	0	0	0	0	0	0	0	0
Victoria Hall Caretakers Flat	47,185	2,605	44,580	0	0	0	0	0	0
Victoria hall	720,000	39,000	681,000	0	0	0	0	0	0
Pringle Park	0	0	0	0	0	0	0	0	0
Victoria Park Pavilion site	2,000	0	2,000	200	0	0	0	0	0
Pringle Park Play Area	0	0	0	0	0	0	0	0	0
Selkirk Golf Course	78,500	0	78,500	0	0	0	0	0	0
South Common Farm	452,942	3,686	449,256	9,600	0	0	0	0	0
Smedheugh Farm	780,080	4,640	775,440	28,700	0	0	0	0	0
Selkirk Hill Grazings	35,000	0	35,000	410	0	0	0	0	0
Linglie Farm	618,999	3,667	615,332	7,300	0	0	0	0	0
Victoria Park & Caravan Site	0	0	0	0	0	0	0	0	0
26 Market Place	25,701	1,933	23,768	4,160	0	(37)	0	0	(37)
28 Market Place	34,580	2,640	31,940	5,600	0	(104)	0	0	(104)
Selkirk Town Hall	124,639	9,787	114,852	0	0	0	0	0	0
South Common Plantations	3,500	0	3,500	0	0	0	0	0	0
Smedheugh Farm Shootings	4,000	0	4,000	200	0	0	0	0	0
Smedheugh Plantations	9,500	0	9,500	0	0	0	0	0	0
Linglie Plantations	16,000	0	16,000	0	0	0	0	0	0
Linglie Farm Shootings	8,000	0	8,000	200	0	0	0	0	0
Linglie Mast Site	87,000	0	87,000	11,848	0	0	0	0	0
South Common Farm Shootings	0	0	0	200	0	0	0	0	0
River Ettrick Salmon Fishing Right	700	0	700	0	0	0	0	0	0

Fixed Assets – Land & Buildings	Projected Net Book Value at 31/03/17 £	Projected Depn Charge 2017/18 £	Projected Net Book Value at 31/03/18 £	Projected Rental Income 2017/18 £	Actual Property Expenditure at 30/06/17				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
Bog Park Recreation Area	0	0	0	0	0	0	0	0	0
Shawburn Amenity Ground	0	0	0	0	0	0	0	0	0
Shawburn Toll Embankment	0	0	0	0	0	0	0	0	0
Bog Park Playground	0	0	0	0	0	0	0	0	0
Victoria Park Play Area	0	0	0	0	0	0	0	0	0
Civic Amenity Site	70,800	0	70,800	0	0	0	0	0	0
Rosebank Quarry Former Tip Site	0	0	0	0	0	0	0	0	0
Rosebank Quarry Play Area	0	0	0	0	0	0	0	0	0
Shawpark Road Development Site	35,000	0	35,000	0	0	0	0	0	0
Property Expenditure - General	-	-	-	0	0	0	0	0	0
Total	3,158,927	67,958	3,090,969	69,593	0	(141)	0	0	(141)

Property Repairs Analysis						Total
-	0	0	0	0	0	0
Total	0	0	0	0	0	0

Fixed Assets – Moveable Assets	Net Book Value at 31/03/17 £
Provosts Badge & Chain	0
Treasurer's Badge & Chain	0
Baillies Badges & Chains	0
Burgess Cup	0
Burgess Roll	0
Silver Arrow Display Case	1,500
Haining Painting	0
Total	1,500

SELKIRK COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
Initial Investment - 13 December 2013	69,530	130,000
Further 2016-17 Investment	27,950	55,000
Total Invested to 30 June 2017	97,480	185,000

Value of Investment	£
31 March 2017	188,867
30 June 2017	190,992
30 September 2017	
31 December 2017	
31 March 2018	
Increase/(Decrease) from Total Cash Invested	5,992