
Monitoring Report for 3 Months to 30 June 2017

Report by the Chief Financial Officer

GALASHIELS COMMON GOOD SUB-COMMITTEE

14 September 2017

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Galashiels 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 £2,630 for the year.
- 1.3 Appendix 2 provides a projected Balance Sheet as at 31 March 2018. It shows a projected decrease in the reserves of £33,562.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing projected depreciation charges 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 as at 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. Information has been prepared using Business World, the Council's new ERP system.

4 FINANCIAL POSITION 2017/18

- 4.1 Appendix 1 provides details on income and expenditure for the 2017/18 financial year.
- 4.2 **Income & Expenditure – Rental Income**
There is no rental income from the properties owned by the Common Good.
- 4.3 **Income & Expenditure – Non-Property Related Income**
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 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 An amount of £31 has also been projected for income received from donations from the Ex Provost Mercer Bequest.
- 4.6 **Income & Expenditure – Property Expenditure**
There are no Property Expenses on the Galashiels Common Good properties.
- 4.7 **Income & Expenditure – Grants & Other Donations**
There are currently no requests for financial assistance from the Galashiels Common Good Fund. The approved budget of £500 remains to be disbursed.
- 4.8 **Income & Expenditure – Depreciation Charge**
The depreciation charge is projected to be £36,192. This is not a cash transaction and is off-set by a corresponding contribution from the Revaluation reserve at the end of the financial year.
- 4.9 Appendix 2 provides the balance sheet values to 31 March 2017, the projected movement in year and a projected balance as at 31 March 2018.
- 4.10 **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 31 March 2015. Appendix 3 shows the values of the individual properties at 31 March 2017, projected depreciation charges for 2017/18 and projected value at 31 March 2018.

4.11 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.

4.12 Balance Sheet – Cash Balance

The cash held by the fund is projected to be £12,509 at 31 March 2018 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2017	9,879
Projected Surplus/(Deficit) for year from Income & Expenditure Statement	2,630
Projected Closing Balance as at 31 March 2018	12,509

4.13 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 comments have been incorporated into the final report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference: Galashiels Common Good Committee 22 June 2017

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GALASHIELS COMMON GOOD FUND

INCOME AND EXPENDITURE 2017/18

	Actuals at 30/06/17	Full Year Approved Budget 2017/18	Full Year Projected Out-turn	Full Year Projected Over/ (Under) Spend £	Para Ref	Commentary
	£	£	£	£		
Property Income						
Rentals Receivable	0	0	0	0	4.2	
Non-Property Related Income						
Interest on Cash deposited with Council	0	(15)	(15)	0	4.3	
Newton Fund Investment – Dividends Rec'd	0	(3,684)	(3,684)	0	4.4	
Other Income	0	(31)	(31)	0	4.5	
Total Income	0	(3,730)	(3,730)	0		
Property Expenditure						
Property Costs – General	0	0	0	0	4.6	
Total Property Expenditure	0	0	0	0		
Grants & Other Donations	0	500	500	0	4.7	
Running Costs						
Central Support Service Charge	0	1,922	1,922	0		
SBC Grant towards Service Charge	0	(1,322)	(1,322)	0		
Net Running Costs	0	600	600	0		
Depreciation						
Depreciation Charge	0	36,192	36,192	0	4.8	
Contribution from Revaluation Reserve	0	(36,192)	(36,192)	0	4.8	
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	0	(2,630)	(2,630)	0		

GALASHIELS 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 31/07/18 £
Fixed Assets			
Land & Buildings	588,367	(36,192)	552,175
Heritable Assets	0	0	0
Total Fixed Assets	588,367	(36,192)	552,175
Capital in Newton Investment Fund			
Investment in Newton Fund	148,730	0	148,730
Unrealised Gains/(Loss)	4,753	0	4,753
Market Value	153,483	0	153,483
Current Assets			
Debtors	0	0	0
Cash deposited with SBC	9,879	2,630	12,509
	9,879	2,630	12,509
Current Liabilities			
Creditors	0	0	0
	0	0	0
Net Assets	751,728	(33,562)	718,166
Funded by:			
Reserves			
Revenue Reserve	(9,879)	(2,630)	(12,509)
Capital Reserve	(306,808)	0	(306,808)
Revaluation Reserve	(435,041)	36,192	(398,849)
Total Reserves	(751,728)	33,562	(718,166)

GALASHIELS 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 31/07/18 £	Projected Rental Income 2017/18 £	Actual Property Expenditure at 30/06/17				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
Bank Street Gardens	0	0	0	0	0	0	0	0	0
Ladhope Drive Car Park	0	0	0	0	0	0	0	0	0
Ladhope Golf Course	110,000	0	110,000	0	0	0	0	0	0
Ladhope Woodland	6,250	0	6,250	0	0	0	0	0	0
Ladhope Glen Park	0	0	0	0	0	0	0	0	0
Ladhope Recreation Ground	0	0	0	0	0	0	0	0	0
Old Gala House	472,117	36,192	435,925	0	0	0	0	0	0
Mercat Cross	0	0	0	0	0	0	0	0	0
Sir Walter Scott Statue	0	0	0	0	0	0	0	0	0
Old Town Cemetery	0	0	0	0	0	0	0	0	0
Amenity Ground at Haliburton Pl	0	0	0	0	0	0	0	0	0
Leabrae Playground	0	0	0	0	0	0	0	0	0
Sml area of Netherdale Play Field	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	0	0	0	0	0	0
Total	588,367	36,192	552,175	0	0	0	0	0	0

Fixed Assets – Moveable Assets
Minute Books Provosts Chain & Badge Provosts Robes & Hats (2 of each) Baillies Robes & Hats Stamp with Burgh Seal Silver Trophy Gold Watch Gold Key & Medal Scott Manuscript Collection of Coins (12) Bottle (storage for coins) Braw Lads Medal (2) Commemorative Medals (2)
<i>Total</i>

GALASHIELS COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
Initial Investment - 5 September 2014	10,411	20,000
Contribution from SBC compensation for late investment	248	476
Further 2015-16 Investment	2,636	5,000
Transfer of Ladhope Trust Investment	65,922	123,254
Total Invested to 30 June 2017	79,217	148,730

Value of Investment	£
31 March 2017	153,483
30 June 2017	155,210
30 September 2017	
31 December 2017	
31 March 2018	
Increase/(Decrease) from Total Cash Invested	6,480