
Monitoring Report for 6 Months to end September 2013 and Investment Level Determination

Report by the Chief Financial Officer

Hawick Common Good Sub Committee

19 November 2013

1 PURPOSE AND SUMMARY

- 1.1 On 29th August the Council approved the formation of an Investment Fund in accordance with the approved Single Investment Strategy for Common Good and Trust Funds. Common Good Sub Committees now have to determine the level of funding which they wish to transfer into this new Investment Fund.
- 1.2 The investment fund is most suitable for funds to be held on a medium to long term basis so sufficient funds should be retained in the SBC Loans Fund for immediate use. Appendix 7 sets out the funds which are available for investment and the funds which the Sub Committee may consider need to be retained for current activities in the short term.
- 1.3 Due to higher than initially anticipated work on properties, total expenditure is projected to be £23,070 in excess of the approved budget for 2013/14, and income is projected to be £525 less than budgeted due, in the main, to minor adjustments to rent and interest outturn projections.
- 1.4 To make budget provision for this a budget virement is proposed as set out in appendix 6.
- 1.5 This report sets out details of transactions for the 6 months to 30 September 2013, the projections of the annual outturn with variances from the current budget, virement to address a required budget changes and the projected effect on Revenue and Capital Reserves at 31 March 2014. It also provides information to enable the Sub Committee to recommend a level of funding to transfer into the New Investment Fund .

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Common Good Sub Committee approves:-**
 - (a) **the financial performance for 2013/14 as shown in Appendix 2 notes:-**
 - (b) **the key figures shown in Appendix 1**
 - (c) **the Grants Analysis provided in Appendix 3**

- (d) the projected balances on Revenue and Capital Reserves as shown in Appendix 4**
- (e) the performance of the Property Portfolio as shown in Appendix 5.**
- (f) the virement proposed in Appendix 6
and determines :-**
- (g) the level of funding to transfer to the New Investment Fund following consideration of the content of Appendix 7.**

3 PROJECTED OUTTURN 2013/14

- 3.1 Appendix 1 brings together key financial data on the Revenue performance and Balance Sheet situation for 2013/14.
- 3.2 Appendices 2 to 5 provide details on the Revenue budget in an extended format, Grants paid and payable, Revenue and Capital reserves and the performance of the Property Portfolio.
- 3.3 Appendix 6 sets out a virement request to provide additional budget for property costs, a reduced budget for income from interest and take account of slight increase in projected rental income. The net effect of these budget changes will result in the Revenue Reserve having to be used to fund the current year budget by a further £23,595 at a total level of £ 33,926.
- 3.4 Projected income from interest on balances invested in the Council's Loan Fund is projected to be £575 less than the budget since currently the capital advanced to SBC Loans Fund is only earning half of the interest rate used to set the budget following reductions in interest rates. No account has been taken of any changes which could happen to investment income following any transfers of funds into the approved investment fund under the Common Good & Trust Fund Single Investment Strategy. Interest is not credited until the end of the year and therefore the amount is dependent on interest rates over the remainder of the year.
- 3.5 Projected rental income is £50 higher than the budget level due to a minor adjustment in the projected income from the Common Haugh.
- 3.6 Property costs are now projected to be higher than initially proposed when the budget was set, due to the ongoing reviews of repair and improvement requirements, which resulted in a number of one off items being approved for this year, including the installation of a multifuel stove in Williestruther Cottage.
- 3.7 Taking all of the above into consideration the Common Good Fund is projecting total expenditure of £178,864 and income of £109,085 supplemented by a draw down of £35,853 from the Revaluation Reserve, resulting in an outturn net expenditure of £33,926 being £23,595 higher than the budget.

4 REVENUE & CAPITAL RESERVES

- 4.1 Appendix 4 shows the effect on accumulated reserves of the projected outturn for 2013/14.

5

- 5.1 Following on from the Council's approval of the setting up of a new investment fund in line with the approved Single Investment Strategy for

Common Good and Trust Funds, the next step is for each Common Good Sub Committee to consider and determine how much of its funds it wishes to place in the new investment fund, which is best used for medium and long term fund holding to obtain the desired returns. It is anticipated that the income generated by the new investment fund will be significantly greater than that currently available from the funds held in SBC Loans Funds. At this stage there has been no account taken of this potential additional income in the current years monitoring statements.

- 5.2 Appendix 7 sets out the total level of funds available £423,942 and identifies a level of retention of funds for short term use £38,376 and the level of funds which could be considered available for medium and long term investment £385,566.

6 IMPLICATIONS

6.1 Financial

There are no financial implications, other than those explained above in Sections 3, 4 and 5.

6.2 Risk and Mitigations

No significant risk to the financial position of the fund is identified.

6.3 Equalities

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

6.4 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, 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.

6.5 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.

7 CONSULTATION

- 7.1 The Head of Corporate Governance, the Head of Strategic Policy, the Head of Audit and Risk, the HR Manager 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:

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Key Figures

Based upon data to 30.9.13

	£	£
Projected Outturn:		
Property Rental Income		96,960
Less Expenditure on property		-62,300
Net Income		34,660
Add other income sources:-		
Miscellaneous		36
Interest on Capital & Revenue Loans Funds with SBC		1,425
Investment Income		5,100
		41,221
Less Expenditure on running costs:-		
Administration	-100	
Net Central Support Service Costs	-5,277	
		-5,377
Excess of Income over running costs		35,844
Less Expenditure other than running costs:-		
Grants & Donations made to local bodies		-33,000
Cost of replacement shed at Pilmuir		-36,770
Projected Funding required from Reserves		33,926

Projected Revenue Reserve		
Revenue Reserve at start of year		99,573
Less Projected funding required for Revenue Expenditure above		-33,926
Less Transfer to Capital Reserve		0
Projected Revenue Reserve at end of year		65,647

Grants & Donations		
Total Grants budget for the year		33,000
Prior Year Grants committed	1,500	
Grants approved in year to date	4,347	
		5,847
Remaining budget available for Grants in the rest of the year		27,153

Investments & Loans		
Investments externally managed		157,606
Revenue in SBC Loans Funds		
Funds invested in SBC Revenue Loans Fund at start of current year		96,972
Capital in SBC Loans Funds		
Funds invested in SBC Capital Loans Fund at start of current year		203,290
Movement in this fund in the year to date		0
		203,290

Effect of inflation on the value of the Funds invested in the SBC Capital Loans Fund		
RPI March 2012 to March 2013	3.28%	
Transfer from revenue required to retain buying power of this investment		6,668

**SCOTTISH BORDERS COUNCIL
HAWICK COMMON GOOD FUND
REVENUE BUDGET MONITORING 2013/14**

Appendix 2

Description	Current Budget for the year to 31.3.14	Actual Transactions to 30.9.13	Over spend to date against full year budget	Under spend to date against full year budget	Projected Outturn for year to 31.3.14	Projected over spend for year against full year budget	Projected under spend for year against full year budget
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	£	£	£	£	£	£	£
Expenditure							
Property costs	41,000	49,368	8,368		62,300	21,300	
Property Renovation Pilmuir Farm	35,000	36,770	1,770		36,770	1,770	
Central Support Services Recharges	10,841	0		10,841	10,841	0	
Administration	100	0		100	100	0	
Depreciation	35,853	0		35,853	35,853	0	
Donations and contributions	33,000	3,347		29,654	33,000	0	
Total Expenditure	155,794	89,485	10,138	76,448	178,864	23,070	0

Description	Current Budget for the year to 31.3.14	Actual Transactions to 30.9.13	Under generation of income to date against full year budget	Over generation of income to date against full year budget	Projected Outturn for year to 31.3.14	Projected under generation of income for year against full year budget	Projected over generation of income for year against full year budget
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	£	£	£	£	£	£	£
Income							
Rents etc	96,910	76,573	20,337		96,960		50
Interest received	2,000	0	2,000		1,425	575	
Dividend income	5,100	0	5,100		5,100		0
Other Income	36	36		0	36		0
Central Support Services support grant	5,564	0	5,564		5,564		0
	109,610	76,609	33,001	0	109,085	575	50
Funding from Fixed Asset Restatement Reserve	35,853	0	35,853		35,853		0
Total Income	145,463	76,609	68,854	0	144,938	575	50
Net Expenditure Totals	10,331	12,875			33,926		
Net expenditure over spend & income under generation			2,544			23,595	

**SCOTTISH BORDERS COUNCIL
HAWICK COMMON GOOD FUND
DONATIONS AND CONTRIBUTIONS PAID AND APPROVED 2013/14**

Appendix 3

	Date Approved	£	£	£
Approved Budget				33,000
Paid as at 30 Sept 2013				
Hawick Lindean Rugby Football Club Defribulator Training	18.6.13	1000		
Hawick Summer Festival 2013 Festival support	18.6.13	1000		
Hawick Rugby Football Club Edinburgh v Newcastle Match	22.8.13	1000		
Drumlanrig Primary School P6 Swimming	22.8.13	347		
Total paid as at 30 Sept 2013			3,347	
Approved but not paid at 30 Sept 2013				
The Ancient Order of Mosstroopers "Horse" restoration fund contribution	20.9.11	1,500		
Hawick Rugby Football Club Edinburgh v Newcastle Match underwriting	22.8.13	1,000		
Total approved but not paid at 30 Sept 2013			2,500	
Total paid and approved at 30 Sept 2013				5,847
Remaining Budget for 2013/14				27,153

SCOTTISH BORDERS COUNCIL

Appendix 4

HAWICK COMMON GOOD FUND

PROJECTED RESERVES AS AT 31 MARCH 2014

Revenue Reserve	£
Balance as at 31 March 2013	99,573
Less Projected net expenditure for 2013/14	-33,926
Projected balance at 31 March 2014	<u>65,647</u>
Capital Reserve	£
Balance as at 31 March 2013	500,906
Projected movement during 2013/14	0
Projected balance at 31 March 2014	<u>500,906</u>

HAWICK COMMON GOOD FUND
Appendix 5
Property Portfolio Performance
to end Sept 2013

	1.4.13 Book Value	Rental Income		Expenditure to end September 2013									
		Current Budget	Projected Outturn	Repairs	Ground Maint.	Fencing Plumbing & Drains	Ins.	Rates Water & Power	Estates & Property Service	Misc	Pilmuir Shed restoration	Letting Costs	Total
Fixed Assets	£	£	£	£	£		£	£	£			£	£
Hawick Moor Racecourse & Bld	29,433	720	720	1,143	16,410	0		85					17,639
Hut at St Leonards	7,980			2,399				79					2,478
Mill Path Stables	15,867			32				113					146
Bunting For Common Riding										355			355
Sub Total		720	720	3,575	16,410	0	0	278	0	355	0	0	20,617
Common Haugh	328,000	8,150	8,200	711				436					1,147
Hawick Golf Course	86,500	1,300	1,300										0
Haggis Ha/Burnflat wall				983									983
Hawick Moor Shootings	3,000	300	300										0
Lothian St. Stores	16,380	2,550	2,550										0
Nipknowes (Woodend Grazings-East)	850	150	150										0
Nipknowes (Woodend Grazings-West)	850	150	150										0
Pilmuir Farm & Farmhouse	1,045,500	45,000	45,000	15,268									15,268
Pilmuir Farm Cottages	56,000	7,200	7,200					0				0	0
Pilmuir Farm Shed restoration	0										36,770		36,770
Pilmuir Farm Shootings	0												0
St Leonards Horse Gallop	10,000	825	825										0
St Leonards Cottage & Park	116,650	5,400	5,400										0
St Leonards Farmhouse & buildings	198,480	8,300	8,300										60
St Leonards Grazings	200,000	8,540	8,540										3,722
Williestruther Cottage	109,200	6,250	6,250	362	0								362
Williestruther Loch	4,500	375	375	0	1,158								1,158
Under Haugh	0												0
Volunteer Park & Stand	262,600	1,700	1,700	745									745
Moat Park	0												0
Hawick Burgh Woodland	73,000												0
Acreknowe Reservoir	0												0
Ca'Knowe Monument	0												0
Feu Duty Redemptions	18												0

Fixed Assets

100 Stairs and adjacent land
 Property & Estates Service - Time
 Charges
 NFU Subscription (part)
 Vertish Hill Hand Rail
 General
Income & Expenditure Totals
 Book Value of Assets at 1.4.13

1.4.13 Book Value	Rental Income		Expenditure to end September 2013									
	Current Budget	Projected Outturn	Repairs	Ground Maint.	Fencing Plumbing & Drains	Ins.	Rates Water & Power	Estates & Property Service	Misc	Pilmuir Shed restoration	Letting Costs	Total
£	£	£	£	£		£	£	£			£	£
0												0
								1,950				1,950
			115									115
						3,241						3,241
	96,910	96,960	21,759	17,568	3,782	3,241	715	1,950	355	36,770	0	86,138
2,564,808												

Budget Virement Requirement

1 Virement is required from

Department	Hawick Common Good	2013/14	2014/15	2015/16
Service		£	£	£
Budget Head	Revenue			
	Reserve	23,595	0	0
	Interest	50	0	0
	Total	23,645	0	0

To

Department	Hawick Common Good	2013/14	2014/15	2015/16
Service		£	£	£
Budget Head	Interest	(575)		
	Property Costs	(21,300)		
	Pilmuir Farm Renovations	(1,770)		
	Total	(23,645)	0	0

Because

To provide budget for additional property cost projected to be required and reduce the income from interest budget caused by a lowering of the interest rate on Capital funds held in SBC Loans Fund, by increasing the rental income budget and increasing the deficit projections for the year

**SCOTTISH BORDERS COUNCIL
HAWICK COMMON GOOD FUND**

Appendix 7

Determination of levels for transfer of funds to New Investment Fund

	£	£
<u>Funds available for investment</u>		
External Investments at 1.4.13		157,606
Funds held in SBC Loans Funds at 1.4.13		
Revenue	96,972	
Capital	203,290	
	<u>300,262</u>	
		<u>457,868</u>
Projected deficit for year to 31.3.14		<u>-33,926</u>
Funds available for short & long term holding		<u>423,942</u>
<u>Projected funding requirements</u>		
Projected Running Costs for a year	5,376	
Projected Grants for a year	33,000	
Projected one off costs in next 3 years	0	
	<u>38,376</u>	
<i>Interest & Dividend Annual income</i>	<u>6,500</u>	
	31,876	
<i>Net Property Surplus</i>	<u>40,960</u>	
<i>Annual core projected surpluses</i>	<u>9,084</u>	
Proposed short term fund holding level in SBC Loans Fund		<u>38,376</u>
Funding available for New Investment Fund		<u>385,566</u>
<u>Fund Transfer proposals</u>		
Transfer of all deposits of external investments	157,606	
Transfer of all funds held on SBC Loans funds (Capital)	203,290	
Transfer from funds held on SBC Loans Funds (Revenue)	24,670	
		<u>385,566</u>