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## GALASHIELS COMMON GOOD FUND SUB COMMITTEE THURSDAY, 22 JUNE 2017

A MEETING of the GALASHIELS COMMON GOOD FUND SUB COMMITTEE will be held in  
Committee Room 3 at COUNCIL HQ, NEWTOWN ST BOSWELLS on THURSDAY, 22 JUNE 2017  
at 5.00 pm

J. J. WILKINSON,  
Clerk to the Council,

15 June 2017

<b>BUSINESS</b>		
1.	<b>Appointment of Chairman</b>	
2.	<b>Apologies for Absence.</b>	
3.	<b>Order of Business.</b>	
4.	<b>Declarations of Interest.</b>	
5.	<b>Minute.</b> (Pages 1 - 2)  Minute of 9 March 2017 to be noted (copy attached).	2 mins
6.	<b>Financial Monitoring Report for 12 months to 31 March 2017</b> (Pages 3 - 14)  Consider report by the Chief Financial Officer (copy attached).	15 mins
7.	<b>Tree Planting next to Galashiels Golf Club, Ladhope</b>  Verbal update.	15 mins
8.	<b>Any Other Items Previously Circulated.</b>	
9.	<b>Any Other Items which the Chairman Decides are Urgent.</b>	

## **NOTES**

- 1. Timings given above are only indicative and not intended to inhibit Members' discussions.**
- 2. Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.**

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**Membership of Committee:-** Councillors S. Aitchison, A. Anderson, E. Jardine, H. Scott and Community Councillor R. Kenney

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**SCOTTISH BORDERS COUNCIL  
GALASHIELS COMMON GOOD FUND SUB COMMITTEE**

MINUTE of Meeting of the GALASHIELS  
COMMON GOOD FUND SUB COMMITTEE  
held in the Transport Interchange,  
Galashiels, on Thursday, 9 March 2017 at  
5.00 pm

Present:- Councillors B White (Chairman), B Herd and J. G. Mitchell; Community  
Councillor R. Kenney.  
Apologies:- Councillor S. Aitchison.  
In Attendance:- Managing Solicitor, People and Court (C. Donald), Capital & Investments  
Manager (K. Robb), Democratic Services Officer (F. Henderson).

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**1. MINUTE.**

- 1.1 There had been circulated copies of the Minute of 8 December 2016.

**DECISION**

**NOTED the Minute.**

- 1.2 With regard to paragraphs 3 and 4 of the Minute, the Chairman advised that both Just Cycle Ltd and the Galashiels Camera Club had managed to secure funding from alternative sources.

**DECISION**

**NOTED.**

**2. FINANCIAL MONITORING REPORT FOR 9 MONTHS TO 31 DECEMBER 2016**

There had been circulated copies of a report by the Chief Financial Officer providing details of the income and expenditure for the nine months to 31 December 2016, full year projected out-turn for 2016/17 and projected balance sheet values as at 31 March 2017. Capital and Investments Manager, Kirsty Robb, highlighted the main points of the report and appendices. Appendix 1 to the report provided a projected Income and Expenditure position which showed a projected deficit of £64 for the year. The projected Balance Sheet as at 31 March 2017, in Appendix 2 to the report, showed a projected decrease in the Revaluation reserves of £36,256 due mainly to the projected depreciation charge. Appendix 3 provided a breakdown of the property portfolio. There was no rental income and no property expenses for the properties owned by the Common Good. The current position of the investment in the Newton Fund was shown in Appendix 4. Members expressed concern about the Newton Fund performance over Quarters 3 and 4 in 2016. The Capital and Investments Manager explained that the Newton Fund was being monitored very closely and there would be a visit to the Newton Offices later in the month to ascertain what their plan would be moving forward.

**DECISION**

- (a) **AGREED the projected Income and Expenditure for 2016/17 in Appendix I to the report.**
- (b) **NOTED within the appendices to the report:-**
- (i) **the projected Balance Sheet value as at 31 March 2017 in Appendix 2;**

- (ii) **the summary of the property portfolio in Appendix 3; and**
- (iii) **the current position of the investment in the Newton Fund in Appendix 4.**

3. **APPLICATION FOR FINANCIAL ASSISTANCE**

There had been circulated copies of an application for financial assistance from Nature Unlimited in the sum of £9,375. The grant was requested to cover the costs of sessional workers, basic equipment and volunteer expenses. The application explained that Nature Unlimited nurtured well-being, resilience and community through teamwork (den-building, games) and nature connection activities in woodlands. Participants are supported at every stage of life, to grow and thrive helping to reduce social and health inequalities. Sessions are run in woodlands across the Scottish Borders, which range from long-term employability programmes, family and community projects, mental health and well-being sessions to one-off events such as team building days, taster sessions and training events. This particular funding was sought in order to provide two programmes of 15 sessions based in beautiful local woodlands for groups of up to twelve teenage girls who have, or are at risk of developing mental health issues. One to be undertaken in spring/summer and the other in the Autumn. The sessions were designed to build resilience and create a community for well-being by allowing participants to learn and develop at their own pace, while pursuing their own interests and connecting with nature and each other. The Committee were of the opinion that whilst the project was worthwhile, it was not for the Common Good to fund and agreed to offer assistance to the organisation to secure funding from other funding sources. The Chairman thanked Jan Barr for attending and wished them well with their project.

**DECISION**

**AGREED:-**

- (a) **not to award Nature Unlimited funding; and**
  - (b) **to assist the organisation to obtain funding from Quality of Life Funding.**
4. **TREE PLANTING NEXT TO GALASHIELS GOLF CLUB, LADHOPE**
- With reference to paragraph 5 of the Minute of 8 December 2016, Mr Hugh Chalmers, Tweed Forum was in attendance at the meeting to update the Committee and answer any questions. There were circulated at the meeting, copies of maps, highlighting the proposed Native Woodland Planting together with new deer fencing and gates, although it was explained that the maps were still at the draft stage and would include information on the best areas for views and for keeping butterflies. The final cost will be dependent on the final design. In response to a question about gates for area one, which did not appear on the map, it was explained that there would be special gates with no hinges erected.

**DECISION**

- (a) **NOTED that the next stage was to agree the final design.**
- (b) **AGREED that the final design be brought to the next Common Good Meeting.**

*The meeting concluded at 5.30 pm*



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## Monitoring Report for 12 Months to 31 March 2017

Report by the Chief Financial Officer

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### GALASHIELS COMMON GOOD FUND SUB-COMMITTEE

22 June 2017

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#### 1 PURPOSE AND SUMMARY

- 1.1 **This report provides the details of the income and expenditure for the Gala Common Good Fund for the year 2016/17 including balance sheet values as at 31 March 2017 and proposed budget for 2017/18.**
- 1.2 Appendix 1 provides actual income and expenditure for 2016/17. This shows a surplus of £3,346 which varies from the deficit reported at 9 March 2017 meeting due to lower than anticipated property costs and no grant expenditure. A surplus of £2,630 is projected for 2017/18.
- 1.3 Following legal clarification, it was agreed during 2016/17 that all remaining assets belonging to the Ladhope Estate Trust would be transferred to Gala Common Good Fund. Therefore from 1 April 2016 the Newton Investment of £123,254 was transferred and the unrealised gain on this investment was recognised within the Gala Common Good investment at 31 March 2017.
- 1.4 Appendix 2 provides balance sheet value as at 31 March 2017. It shows an increase in the reserves of £94,771, mainly due to the transfer of the Ladhope Trust Fund Assets and also the annual depreciation charge.
- 1.5 Appendix 3 provides a breakdown of the property portfolio showing the depreciation charge for 2016/17.
- 1.6 Appendix 4 shows the value of the Newton Fund to 31 March 2017.

#### 2 RECOMMENDATIONS

- 2.1 **It is recommended that the Galashiels Common Good Fund Sub-Committee:**
  - (a) **Notes the actual income and expenditure for 2016/17 in Appendix 1.**
  - (b) **Agrees the proposed budget for 2017/18 as shown in Appendix 1.**
  - (c) **Notes the final balance sheet value as at 31 March 2017 in Appendix 2.**

- (d) Notes the summary of the property portfolio in Appendix 3.**
- (e) Notes the current position of the investment in the Newton Fund in Appendix 4, and**
- (f) Notes the short, medium and long term performance of the Newton Fund against its peers in Appendix 5.**

### **3 BACKGROUND**

3.1 This report provides the Committee with financial information for the period to 31 March 2017 and proposed budgets for 2017/18. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2018.

### **4 FINANCIAL POSITION 2016/17**

4.1 Appendix 1 provides detail on income and expenditure for the 2016/17 financial year as well as a proposed budget for 2017/18.

#### **4.2 Income & Expenditure – Property Income**

There is no rental income due from the Galashiels Common Good properties.

#### **4.3 Income & Expenditure – Non-Property Related Income**

The final out-turn shows a total of £3,946 and includes donations from the Ex Provost Mercer Bequest £38. Also included are the Newton Fund dividends, see paragraph 4.4 and the interest received on cash deposited with the Council. The annual rate of interest applied to the cash deposits is 0.31%.

4.4 The capital reserve is invested in the Newton Fund and distributions were made twice in the year in September and February. Dividends of £3,888 were received in total to 31 March 2017 (£3,371 more than anticipated and 2.6% of total investment). This variance is a result of the transfer of the Ladhope Estate Newton dividends into Gala Common Good Fund which was previously recorded as a grant within "Other Income" and is detailed in Appendix 1. Considering dividend returns across all Common Good & Trust Funds in 2016/17, the proposed budget for 2017/18 is based on a distribution of 2.4% of the Market Value at 31 March 2017.

#### **4.5 Income & Expenditure – Property Expenditure**

There are no property expenses on the Galashiels Common Good properties and no costs are anticipated in 2017/18.

#### **4.6 Income & Expenditure – Grants & Other Donations**

There were no grants and other donations distributed to 31 March 2017, against a budget of £2,000. Considering grant expenditure over the last 3 years a budget of £500 is proposed for 2017/18.

#### **4.7 Income & Expenditure – Depreciation Charge**

This is not a cash transaction and is off-set by a corresponding contribution from the Revaluation Reserve.

4.8 Appendix 2 provides the balance sheet value as at 31 March 2017 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 31 March 2015. Appendix 3 shows the values of the individual properties at 31 March 2016, depreciation charges for 2016/17 and value at 31 March 2017.

#### 4.10 Balance Sheet – Newton Investment

- a) Short term performance during the quarter to 31 March 2017 yielded a positive return of 2.2% against benchmark of 1.0%. This was the funds first return in excess of benchmark since quarter 2 2016. The funds stable, compounding equity holdings performed in line with broad global equity indices which remained buoyant despite recent global economic events. Exposure to government bonds and physical gold also generated positive contributions to the fund.
- b) 2016-17 was again dominated by political and economic uncertainties, primarily the US Presidential election and the "Brexit" vote in this country. Although the medium term, 12 month annualised return at the end of March 2017 was 2.9% against a benchmark of 4.4%, the fund's performance over a 5 year period was positive against benchmark, 4.6% against 4.5%. This is in line with the objective of the fund which *"is managed to seek a minimum return of 1 month GBP LIBOR rate + 4%"*. At the end of March this equated to 4.3%.
- c) In addition to unrealised gains retained by Common Good Fund investments, dividends from the Newton Fund were received during the year totalling £66k equating to 2.5% of amounts invested. This is an increase from 2.2% received in 2015-16 and approximately 10 times the interest that would have been received if Common Good Fund cash had been invested in the Council's loans fund.
- d) Newton continues to believe that the investment strategy in place for the Real Return Fund has the ability to continue to provide returns which meet the objective of the fund. However, given recent performance figures generated by the fund, ongoing performance will be closely monitored. Appendix 5 contains a chart detailing the Newton Funds performance over the quarter to March 2017 and also over the medium to long term. The improved performance in the last quarter has put Newton in the mid-range against its peers. However, their performance in the last two quarters of 2016 has placed Newton outside the broad range of returns generated by its peers in the last year. This has also had the effect of dragging down the medium to long term performance.
- e) Given this information, the Councils Investment advisor KPMG has been commissioned to evaluate and report on the continued suitability of the Newton Fund going forward. It should be stressed that the Newton Real return Fund is a "Dividend Growth Fund," that is a fund that will provide reasonable rates of income (through dividends) as well as capital preservation and low risk.
- f) To date, the Newton fund has achieved its aims, in doing so, fulfilling the aims of the investment strategy adopted for Common Good and Trust funds, that is, low risk and capital preservation. The driver behind the KPMG evaluation is to establish if there are any other funds which would provide a better rate of capital return than Newton, as well as a reasonable income stream with a similar low risk profile.



#### 4.11 **Balance Sheet – Cash Balance**

The cash held by the fund at 31 March 2017 is £9,879. The cash movement for 2016/17 as follows:

<b>Cash Balance</b>	<b>£</b>
<b>Opening Balance at 1 April 2016</b>	6,533
Surplus for year from Income & Expenditure Statement	3,346
<b>Closing Balance at 31 March 2017</b>	<b>9,879</b>

#### 4.12 **Balance Sheet – Capital Reserve**

The Capital Reserves include the unrealised gain for the Newton Fund as at 31 March 2017.

#### 4.13 **Balance Sheet – Impact of Ladhope Estate Investment transfer**

The effect of the transfer of Ladhope Estate Trust assets increases the Galashiels Common Good Newton Investment and Capital Reserve as follows:

	<b>£</b>
Newton Investment	123,254
Unrealised Gain on Investment	4,363
<b>Total Increase in Capital Reserve</b>	<b>127,617</b>

## 5 **IMPLICATIONS**

### 5.1 **Financial**

There are no further financial implications other than those explained above in Section 4.

### 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 Chief Officer HR and the Clerk to the Council are currently being consulted and their comments will be made available at the meeting.

**Approved by**

**David Robertson**  
**Chief Financial Officer**

**Signature .....**

**Author(s)**

Kirsty Robb  
John Yallop

Capital and Investments Manager Tel: 01835 825249  
Senior Finance Officer – Treasury & Investments  
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**Background Papers:**

**Previous Minute Reference:** Galashiels Common Good Committee 9 March 2017

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. We can also give information on other language translations as well as providing additional copies.

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## GALASHIELS COMMON GOOD FUND

## INCOME AND EXPENDITURE 2016/17

	Actuals at 31/03/17 £	Full Year Budget 2016/17 £	Over/ (Under) Spend 2016/17 £	Proposed Budget 2017/18 £	Para Ref	Commentary
<b>Property Income</b>						
Rentals Receivable	0	0	0	0		
<b>Non-Property Related Income</b>						
Interest on Cash deposited with Council	(19)	(19)	0	(15)	4.3	2017/18 Calculated at 0.30%
Newton Fund Investment – Dividends Rec'd	(3,888)	(517)	(3,371)	(3,684)	4.4	2017/18 Calculated at 2.4%
Other Income	(38)	(3,000)	2,962	(31)	4.3	
<b>Total Income</b>	<b>(3,946)</b>	<b>(3,536)</b>	<b>(410)</b>	<b>(3,730)</b>		
<b>Property Expenditure</b>						
Property Costs – General	0	1,000	(1,000)	0		
<b>Total Property Expenditure</b>	<b>0</b>	<b>1,000</b>	<b>(1,000)</b>	<b>0</b>		
<b>Grants &amp; Other Donations</b>	<b>0</b>	<b>2,000</b>	<b>(2,000)</b>	<b>500</b>	4.6	
<b>Running Costs</b>						
Central Support Service Charge	1,922	1,922	0	1,922		
SBC Grant towards Service Charge	(1,322)	(1,322)	0	(1,322)		
<b>Net Running Costs</b>	<b>600</b>	<b>600</b>	<b>0</b>	<b>600</b>		
<b>Depreciation</b>						
Depreciation Charge	36,192	36,192	0	36,192		
Contribution from Revaluation Reserve	(36,192)	(36,192)	0	(36,192)		
<b>Net impact of Depreciation on Revenue Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Total Net (Surplus)/Deficit for year</b>	<b>(3,346)</b>	<b>64</b>	<b>(3,410)</b>	<b>(2,630)</b>		

## GALASHIELS COMMON GOOD FUND

## BALANCE SHEET VALUE AT 31 March 2017

	Opening Balance at 01/04/16 £	Movement in Year 2016/17 £	Closing Balance at 31/03/17 £	Projected Balances at 31/03/18 £
<b>Fixed Assets</b>				
Land & Buildings	624,558	(36,192)	588,367	552,173
Heritable Assets	0	0	0	0
<b>Total Fixed Assets</b>	<b>624,558</b>	<b>(36,192)</b>	<b>588,367</b>	<b>552,173</b>
<b>Capital in Newton Investment Fund</b>				
Investment in Newton Fund	25,476	123,254	148,730	148,730
Unrealised Gains/(Loss)	390	4,363	4,753	4,753
<b>Market Value</b>	<b>25,866</b>	<b>127,617</b>	<b>153,483</b>	<b>153,483</b>
<b>Current Assets</b>				
Debtors	0	0	0	0
Cash deposited with SBC	6,533	3,346	9,879	12,509
	<b>6,533</b>	<b>3,346</b>	<b>9,879</b>	<b>12,509</b>
<b>Current Liabilities</b>				
Creditors	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>656,956</b>	<b>94,771</b>	<b>751,727</b>	<b>718,165</b>
<b>Funded by:</b>				
<b>Reserves</b>				
Revenue Reserve	(6,533)	(3,346)	(9,879)	(12,509)
Capital Reserve	(179,190)	(127,617)	(306,808)	(153,483)
Revaluation Reserve	(471,233)	36,192	(435,041)	(552,173)
<b>Total Reserves</b>	<b>(656,956)</b>	<b>(94,771)</b>	<b>(751,727)</b>	<b>(718,165)</b>

## GALASHIELS COMMON GOOD FUND

**PROPERTY PORTFOLIO PERFORMANCE FOR 2016/17**  
**(Actual Income and Expenditure to 31 March 2017)**

Fixed Assets	Net Book Value at 31/03/16	Deprec'n Charge 2016/17	Net Book Value at 31/03/17	Actual Rental Income 2016/17	Actual Property Expenditure at 31/03/17				
					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 Groud	0	0	0	0	0	0	0	0	0
Old Gala House	508,309	36,192	472,117	0	0	0	0	0	0
Market 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
<b>Total</b>	<b>624,558</b>	<b>36,192</b>	<b>588,367</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## GALASHIELS COMMON GOOD FUND

## INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

<b>Cost of Investment</b>	<b>Units</b>	<b>£</b>
Initial Investment - 5 September 2014	10,659	20,476
Further 2015-16 Investment	2,636	5,000
Transfer of Ladhope Trust Investment	65,922	123,254
<b>Total Invested to 31 March 2017</b>	<b>79,217</b>	<b>148,730</b>

<b>Value of Investment</b>	<b>£</b>
31 March 2016	25,866
31 March 2017	153,483
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>4,753</b>

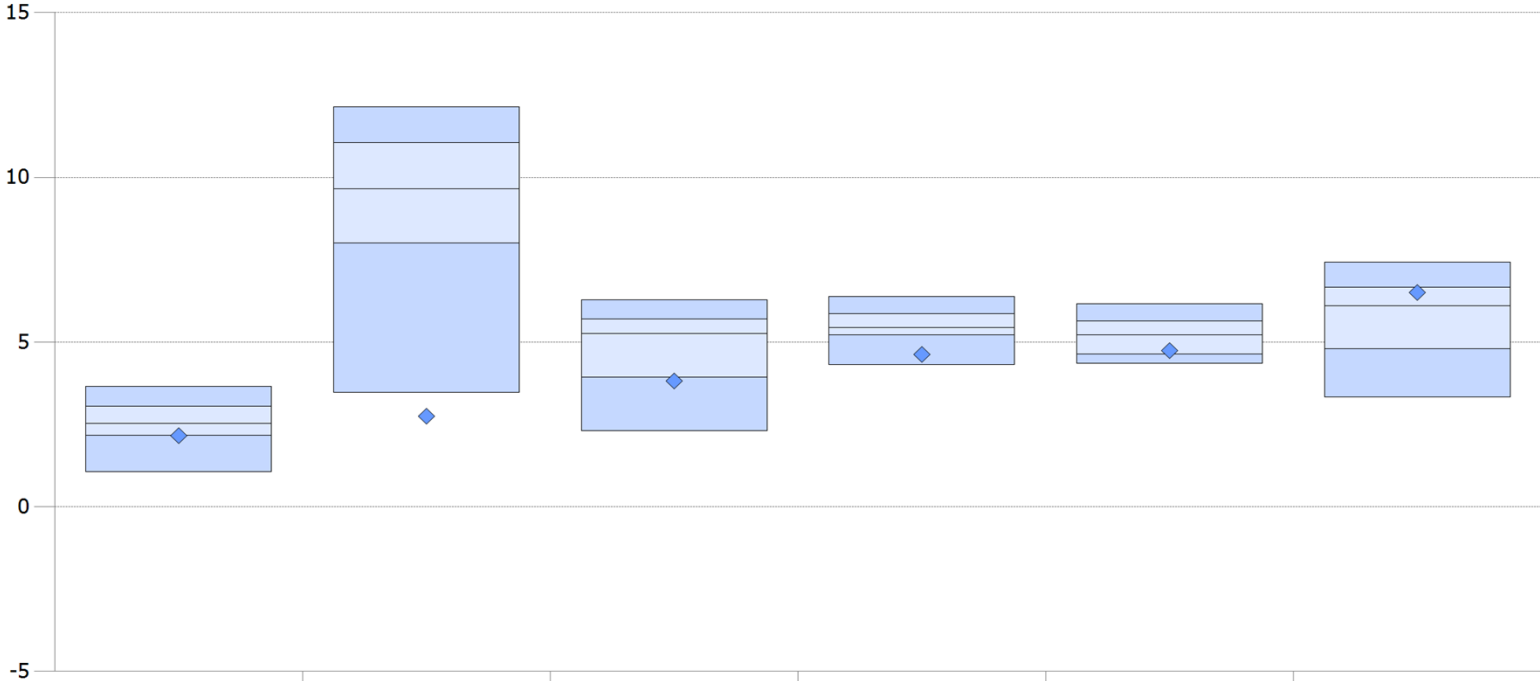
**GALASHIELS COMMON GOOD FUND**

The graph below has been produced by KPMG and shows the fund’s performance against peers as mentioned in paragraph 4.10 (d).

◆ Newton Investment Management: Newton Real Return GBP

Returns As Of: March 31, 2017

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Universe:  
DoH DGF Universe

	VT	RM	MRQ	Rk	1 Year	Rk	3 Years	Rk	5 Years	Rk	7 Years	Rk	10 Years	Rk
5th percentile			3.6		12.1		6.3		6.4		6.2		7.4	
25th percentile			3.1		11.1		5.7		5.9		5.6		6.7	
Median			2.5		9.7		5.3		5.4		5.2		6.1	
75th percentile			2.2		8.0		3.9		5.2		4.6		4.8	
95th percentile			1.1		3.5		2.3		4.3		4.4		3.3	
# of Observations			13		13		12		11		11		7	
◆ Newton Investment Management	SA	GF	2.2	75	2.7	100	3.8	81	4.6	90	4.7	60	6.5	33

Results displayed in Pound Sterling (GBP)

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