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JEDBURGH COMMON GOOD SUB-COMMITTEE WEDNESDAY, 21 JUNE, 2017

A MEETING of the JEDBURGH COMMON GOOD SUB-COMMITTEE will be held in the KELSO HIGH SCHOOL, BOWMONT STREET, KELSO on WEDNESDAY, 21 JUNE 2017 at 5.30 pm

J. J. WILKINSON,
Clerk to the Council,

16 June 2017

BUSINESS		
1.	Apologies for Absence.	
2.	Chairman Consider appointment of Chairman.	2 mins
3.	Order of Business.	
4.	Declaration of Interests.	
5.	Minute. Minute of Meeting of 30 March 2017 to be agreed and signed. (Copy to follow.)	2 mins
6.	Monitoring Report for 12 months to end March 2017 (Pages 1 - 12) Consider report by Chief Financial Officer. (Copy attached.)	
7.	Application for Funding Consider a request for financial assistance received from United Roxburghshire and Jedburgh Horticultural Society. (Additional information to follow.)	10 mins
8.	Any Other Items Previously Circulated.	
9.	Any Other Items which the Chairman Decides are Urgent.	

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.**

Membership of Committee:- Councillors J. Brown (Chairman), S. Hamilton, S. Scott, Community Councillor H. Wight

Please direct any enquiries to Fiona Henderson Tel: 01835 826502
Email: fhenderson@scotborders.gov.uk



Monitoring Report for 12 Months to 31 March 2017

Report by the Chief Financial Officer

JEDBURGH COMMON GOOD FUND SUB-COMMITTEE

21 June 2017

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Jedburgh 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 the actual income and expenditure for 2016/17. This shows a deficit of £53,764 for the year, which is significantly more than the deficit of £18,113 reported at the 1 February 2017 meeting due to higher than projected grant expenditure. A deficit of £3,366 is projected for 2017/18.
- 1.3 Appendix 2 provides balance sheet value as at 31 March 2017. It shows a decrease in the reserves of £69,234, due to depreciation of assets and the above deficit.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing expenditure to 31 March 2017 and where applicable, the 2016/17 depreciation charge.
- 1.5 Appendix 4 shows the value of the Newton Fund to 31 March 2017.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Jedburgh Common Good 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 the proposed budget for 2017/18.
- 4.2 **Income & Expenditure – Property Income**
There is no rental income due from the Jedburgh Common Good properties.
- 4.3 **Income & Expenditure – Non-Property Related Income**
The final out-turn shows a total of £25,084. This includes Newton Fund dividend payments – see paragraph 4.4, as well as the interest received on cash deposited with the Council and interest provided by loans from the Common Good amounting to £176 and £1,160 respectively. The annual rate of interest applied to the cash deposits with SBC is 0.31%.
- 4.4 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February. Dividends of £23,749 were received in total to 31 March 2017 (£4,924 more than anticipated and 2.5% of total investment). 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**
Property expenses of £56 were incurred during the year relating to Property Officer time.
- 4.6 **Income & Expenditure – Grants & Other Donations**
The grants and other donations distributed to 31 March 2017 are shown below. The grant approved to Jedburgh Thistle RFC was disbursed but returned as the planned trip was cancelled.

Grant Recipients	Approved	£
Approved and Paid to 31 March 2017		
Jedburgh Community Council – Festive Lighting	01&14/06/16	11,561
Jethart Callants Festival	29/06/16	5,000
Cheviot Youth Project – Project Hub	19/10/16	9,403
Jedburgh Probus Club – Laptop & Screen	01/02/17	600
Jedburgh Thistle RFC	01/02/17	0
Jedburgh Forest RFC	01/02/17	50,000
Total Paid to 31 March 2017		76,564
2016/17 Budget		36,000
Overallocated 2016/17 Budget		40,564
Proposed 2017/18 Budget		25,000
<i>Approved but not yet Paid</i>		
Jedburgh Gentle Exercise Group	07/03/17	200
United Jed.& Rox. Horticultural Society	30/03/17	2,500

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 1 April 2014. 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 all Common Good Newton investments. 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 is £5,842, an in-year net increase of £49,894. The cash movement for 2016/17 is as follows:

Cash Balance	£	£
Opening Balance at 1 April 2016		55,736
<i>Repayment of Principal (Long Term Debtors)</i>		
Jedburgh Bowling Club Loan	7,000	
Jedburgh Golf Club Loan	870	
Jedburgh Community Trust Loan	1,000	8,870
Deficit for year from Income & Expenditure Statement		(53,764)
Net cash movement in Debtors (cash refund of Jed Thistle RFC grant received in April 2017)		(5,000)
Closing Balance as at 31 March 2017		5,842

4.12 Balance Sheet – Capital Reserve

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

4.13 Contingent Asset – Jedburgh Golf Club

The final accounts will also include a Contingent Asset of £25,000 for the remaining balance of the secured grant given to Jedburgh Golf Club in January 2005 for the purchase of two additional fields. This position will be reviewed on an annual basis to assess the likelihood of the Golf Club disposing of the fields.

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 have been consulted and their appropriate comments have been incorporated into this report.

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 Tel: 01835 824000 Extn 5933
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Background Papers:

Previous Minute Reference: Jedburgh Common Good Committee 1 February 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.

Contact us at Corporate Finance, Council Headquarters, Newtown St Boswells,
Melrose, TD6 0SA.

Tel: 01835 824000

Fax: 01835 825166

Email: treasuryteam@scotborders.gov.uk

JEDBURGH 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
Property Income						
Rentals Receivable	0	0	0	0		
Non-Property Related Income						
Interest Receivable from Loans to –						
Jedburgh Bowling Club	(965)	(1,000)	35	(1,000)		
Jedburgh Golf Club	(195)	(224)	29	(224)		
Interest on Cash deposited with Council	(176)	(67)	(109)	(142)	4.3	2017/18 Calculated at 0.30%
Newton Fund Investment – Dividends Rec'd	(23,749)	(18,825)	(4,924)	(22,497)	4.4	2017/18 Calculated at 2.4%
Total Income	(25,084)	(20,116)	(4,968)	(23,863)		
Property Expenditure						
Property Costs – General	56	0	56	0		
Total Property Expenditure	56	0	56	0		
Grants & Other Donations	76,564	36,000	40,564	25,000	4.6	
Running Costs						
Central Support Service Charge	3,621	3,621	0	3,621		
SBC Grant towards Service Charge	(1,392)	(1,392)	0	(1,392)		
Net Running Costs	2,229	2,229	0	2,229		
Depreciation						
Depreciation Charge	11,600	11,600	0	11,600		
Contribution from Revaluation Reserve	(11,600)	(11,600)	0	(11,600)		
Net impact of Depreciation on Rev Res	0	0	0	0		
Total Net (Surplus)/Deficit for year	53,764	18,113	35,651	3,366		

JEDBURGH 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 £
Fixed Assets				
Land & Buildings	476,800	(11,600)	465,200	453,600
Feu Duties	0	0	0	0
Total Fixed Assets	476,800	(11,600)	465,200	453,600
Capital in Newton Investment Fund				
Investment in Newton Fund	915,174	0	915,174	915,174
Unrealised Gains/(Loss)	26,082	(3,870)	22,211	22,211
Market Value	941,256	(3,870)	937,385	937,385
Long Term Debtors				
Loan to Jedburgh Bowling Club	40,000	(7,000)	33,000	24,000
Loan to Jedburgh Golf Club	3,631	(870)	2,760	1,890
Loan to Jedburgh Comm Trust	3,833	(1,000)	2,833	1,833
	47,464	(8,870)	38,593	27,723
Current Assets				
Debtors	0	5,000	5,000	5,000
Cash deposited with SBC	55,736	(49,894)	5,842	13,346
	55,736	(44,894)	10,842	18,346
Current Liabilities				
Creditors	0	0	0	0
Receipts in Advance	0	0	0	0
	0	0	0	0
Net Assets	1,521,255	(69,234)	1,452,021	1,437,055
Funded by: Reserves				
Revenue Reserve	(103,200)	53,764	(49,436)	(46,070)
Capital Reserve	(943,929)	3,870	(940,058)	(937,385)
Revaluation Reserve	(474,127)	11,600	(462,527)	(453,600)
Total Reserves	(1,521,255)	69,234	(1,452,021)	(1,437,055)

JEDBURGH 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
	£	£	£	£	£	£	£	£	£
Jedburgh Castle Jail	0	0	0	0	0	0	0	0	0
Mary Queen of Scots House	476,800	11,600	465,200	0	0	0	0	0	0
Murray's Green Park	0	0	0	0	0	0	0	0	0
Dounehill (Dunshill)	0	0	0	0	0	0	0	0	0
Ramparts	0	0	0	0	0	0	0	0	0
Market Cross	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	0	0	0	0	0	0	0	56	56
Total	476,800	11,600	465,200	0	0	0	0	56	56

JEDBURGH COMMON GOOD FUND**INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND**

Cost of Investment	Units	£
Initial Investment - 13 December 2013	23,377	43,708
Further 2013-14 Investments	434,885	821,466
Further 2014-15 Investments	25,576	50,000
Total Invested to 31 March 2017	483,838	915,174

Value of Investment	£
31 March 2016	941,256
31 March 2017	937,386
Unrealised Gain/(Loss) on Investment	22,211

JEDBURGH 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).

