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MELROSE COMMON GOOD FUND SUB COMMITTEE MONDAY, 27 JUNE 2022

A MEETING of the MELROSE COMMON GOOD FUND SUB COMMITTEE will be held VIA MS
TEAMS on MONDAY, 27 JUNE 2022 at 2.00 pm

All attendees, including members of the public, should note that the public business in this meeting will be livestreamed and video recorded and that recording will be available thereafter for public view for 180 days.

J. J. WILKINSON,
Clerk to the Council,

20 June 2022

BUSINESS		
1.	Appointment of Chairman	5 mins
2.	Apologies for Absence	
3.	Order of Business	
4.	Declarations of Interest	
5.	Minute (Pages 3 - 4) Consider Minute of Meeting held on 14 December 2021. (Copy attached.)	
6.	Financial monitoring for 12 Months to 31 March 2022 (Pages 5 - 14) Consider report by Director Finance and Corporate Governance. (Copy attached.)	10 mins
7.	Any Other Items Previously Circulated	
8.	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. Linehan, D. Parker, J. PatonDay, Community Council Representative

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**SCOTTISH BORDERS COUNCIL
MELROSE COMMON GOOD FUND SUB-COMMITTEE**

MINUTE of Meeting of the MELROSE
COMMON GOOD FUND SUB-COMMITTEE
held by Microsoft Team on Tuesday, 14
December 2021 at 4.30 p.m.

Present:- Councillors D. Parker (Chairman), J. Linehan, T. Miers
In Attendance:- Principal Solicitor, Capital & Investments Manager, Democratic Services
Team Leader,

1. **MINUTE**

There had been circulated copies of the Minute of the meeting held on 31 July 2019.

DECISION

AGREED to approve the Minute for signature by the Chairman.

2. **MONITORING REPORT FOR 12 MONTHS TO 31 MARCH 2021 AND PROPOSED BUDGET FOR FINANCIAL YEAR 2021/22**

There had been circulated copies of a report by the Director, Finance and Corporate Governance providing the details of the income and expenditure for the Melrose Common Good Fund for the year 2020/21 including balance sheet values as at 31 March 2021 and proposed budget for 2021/22. Appendix 1 to the report provided the actual income and expenditure for 2020/21 and showed a surplus of £434 for the year, which was better than the projected budget, due to an improvement in the return on the Aegon Investment Fund. Appendix 2 to the report provided an actual balance sheet value as at 31 March 2021 and showed a decrease in the reserves of £1,252, partly due to the annual release from Revaluation Reserve off-set by unrealised gain on the Aegon Asset Management Fund. Appendix 3 to the report provided a breakdown of the property portfolio and Appendix 4 showed the value of the Aegon Asset Management Investment Fund to 31 March 2021. Members discussed the use of funds in the future when the level built up to a higher amount. Mrs MacLeod advised that combining the fund with the William Hill Trust in a way that disposed of the Common Good fund was not an option and granting the money from the Common Good Fund to the Trust also raised difficulties as they covered slightly different geographic areas. It was noted that the Scout Hall was maintained by the tenants but there might be a future need to spend money on the building so it was prudent to retain the funds at present.

DECISION

AGREED:-

- (a) to note the actual income and expenditure for 2020/21 in Appendix 1 to the report;
- (b) the proposed budget for 2021/22 as shown in Appendix 1 to the report;
- (c) to note the final balance sheet value as at 31 March 2020 and projected balance sheet value as at 31 March 2022 as shown in Appendix 2 to the report;
- (d) to note the summary of the property portfolio as shown in Appendix 3 to the report; and

- (e) to note the current position of the Aegon Asset Management Investment Fund as shown in Appendix 4 to the report.**

3. CONSULTATION ON HERITABLE AND MOVEABLE ASSET REGISTERS FOR THE FORMER BURGH OF MELROSE

There had been circulated copies of a report by the Principal Solicitor seeking approval of the draft Common Good Registers for the former Burgh of Melrose and to advise on the next steps in the process for consultation and publication under the Community Empowerment (Scotland) Act 2015. The report explained that under the Community Empowerment (Scotland) Act 2015 the Council was required to establish and maintain a register of property which was held by the authority as part of the Common Good ("a Common Good Register"). Before establishing a Common Good Register, the Act required the Council to publish a list of property that it proposed to include in the Register and consult the public on this list. Council approved the process for compliance with the Community Empowerment (Scotland) Act 2015 on 31 January 2019, and since that date work had been ongoing in consolidating all information held in respect of heritable and moveable Common Good assets. From the work carried out, a draft list of assets considered to be a complete list of heritable and moveable assets held by the Melrose Common Good had been prepared, and was appended to the report. In response to a suggestion by Councillor Linehan about using the "Melrose In Time" Facebook page for consultation, Mrs MacLeod explained how the consultation would be carried out. Councillor Parker commented on the Silver Bowl currently held at Paton Street, Galashiels and requested a photograph be provided to allow consideration of having it displayed in Melrose. Members also discussed the painting of Leaderfoot which was too big to be housed in Melrose and suggested that selling it might raise much needed funds to allow the Common Good Fund to make grants. It was noted that a public consultation would require to be carried out before any sale could take place. It was agreed to revisit this suggestion once the public consultation had been carried out.

DECISION

AGREED to:-

- (a) approve the contents of the draft list of heritable and moveable property assets held by the Council within the former Burgh of Melrose;**
- (b) approve the publishing of the draft list to be made available for public consultation for a period of at least twelve weeks;**
- (c) note that following the period of consultation all comments would be brought to the Common Good Fund Sub-Committee for their consideration.**

The meeting concluded at 4.50 p.m.



MONITORING REPORT FOR 12 MONTHS TO 31 MARCH 2022 AND PROPOSED BUDGET FOR FINANCIAL YEAR 2022/23

Report by Director – Finance & Corporate Governance

MELROSE COMMON GOOD FUND SUB-COMMITTEE

27 June 2022

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Melrose Common Good Fund for the year 2021/22 including balance sheet values as at 31 March 2022 and proposed budget for 2022/23.**
- 1.2 Appendix 1 provides the actual income and expenditure for 2021/22. This shows a surplus of £521 for the year, which is better than the projected surplus as a result of an improvement in the return on the Aegon Investment Fund.
- 1.3 Appendix 2 provides an actual balance sheet value as at 31 March 2022. It shows a decrease in the reserves of £2,770, mainly due to the annual release from Revaluation Reserve, and partly off-set by the surplus for the year.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing actual property valuations at 31 March 2022.
- 1.5 Appendix 4 shows the value of the Aegon Asset Management Investment Fund to 31 March 2022.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Fund Sub-Committee:**
 - (a) Notes the actual income and expenditure for 2021/22 in Appendix 1;**
 - (b) Agrees the proposed budget for 2022/23 as shown in Appendix 1;**
 - (c) Notes the final balance sheet value as at 31 March 2022, and projected balance sheet value as at 31 March 2023 in Appendix 2;**
 - (d) Notes the summary of the property portfolio in Appendix 3; and**
 - (e) Notes the current position of the Aegon Asset Management Investment Fund in Appendix 4.**

3 BACKGROUND

- 3.1 Melrose Town Hall was recognised as a Common Good asset on 1 April 2017. Until that time the Hall was deemed to belong to Scottish Borders Council (SBC). This transfer relates to the *ownership* of the Hall and has no impact on the transfer of the operation and maintenance of the Hall, which is undertaken by Scottish Borders Council.
- 3.2 Scottish Borders Council are liable for operating costs such as staffing, energy and communications in return for their retention of all income earned. Scottish Borders Council have retained budget and liability for rates, insurance and maintenance costs.
- 3.3 This report provides the Committee with financial information for the period to 31 March 2022 and proposed budgets for 2022/23. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2023.

4 FINANCIAL POSITION 2021/22

- 4.1 Appendix 1 provides detail on income and expenditure for the 2021/22 financial year, which resulted in a surplus of £521, as well as the proposed budget for 2022/23.

4.2 **Income & Expenditure – Property Costs and Income**

As the liability for the upkeep of the Hall falls to Scottish Borders Council, there is no anticipated income or expenditure relating to the Hall.

4.3 **Income & Expenditure – Grants & Other Donations**

It is anticipated that no grants will be paid from the Melrose Common Good Fund.

4.4 **Income & Expenditure – Non-Property Related Income**

- (a) The final outturn position shows an amount of £5 relating to interest receivable on cash held by SBC, a drop from projections due to the prolonged lower level of interest rates. Also included are dividends from the Common Good Funds investment in Aegon Asset Management amounting to £506 which is slightly ahead of the revised projection of 4.5% return, with the projection for 2022/23 returning to the 5% target and the monthly distribution profile projections provided by Aegon. The position will be monitored closely with Aegon Asset Management.
- (b) Included within other income for the year is a rebate from Aegon Asset Management of £8 which, along with the £2 received in March 2021, has been re-invested to purchase an additional 9 units. Rebate income received in March 2022 of £2 has been accounted for within income but the corresponding 2 units were not purchased until April 2022.

4.5 **Income & Expenditure – Depreciation Charge**

The annual depreciation charge for the year is £3,281. 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.

- 4.6 Appendix 2 provides the balance sheet value as at 31 March 2021, the movement in the year and a projected balance as at 31 March 2022.

4.7 **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 2019 with no change made to the existing value. Appendix 3 shows the actual values of the individual properties at 31 March 2022, actual depreciation charges for 2021/22 and projected values at 31 March 2023.

The list of both Land & Buildings and Moveable Assets in Appendix 3 have been updated to reflect the current position regarding the consultation exercise on Common Good Assets being led by Legal dept. This has resulted in 2 Moveable Assets being included in the report, however there is no change to the value of assets held in the Balance Sheet.

A report will be submitted to Council in September setting out the results of the consultation on Common Good assets.

4.8 **Balance Sheet – Investment Fund**

The fund has an 0.68% unrealised gain in market value since investment, largely due to continued volatility in investment markets. Overall, however, taking account of the income received the fund has achieved a return of 22.56% since investment in February 2018.

4.9 **Balance Sheet – Cash Balance**

The cash held by the fund is £9,006 at 31 March 2022 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2021	8,507
Surplus for year from Income & Expenditure Statement	521
Net cash movement in Debtors/Creditors	(12)
Rebate Investment in Aegon	(10)
Closing Balance at 31 March 2022	9,006

4.10 **Balance Sheet – Capital Reserve**

The projections for the Capital Reserves include the unrealised gain for the Aegon Asset Management Fund as at 31 March 2022 but due to the nature of the markets no estimate has been made for the current years' movement

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 Aegon Asset Management 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. There is a risk with any property that works will be required during its life, which the Common Good does not hold funds for. This risk is mitigated by agreement with Scottish Borders Council. Operational and major repairs costs are met by Scottish Borders Council.

5.3 Intergrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine financial monitoring report which forms part of the governance of the management of the Common Good Funds. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

5.4 Sustainable Development Goals

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 Climate Change

There are no effects on climate change 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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 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 Chief Legal Officer (including as Monitoring Officer), the Chief Officer Audit and Risk, Service Director HR, Communications and the Clerk to the Council have been consulted and their appropriate comments have been incorporated into this report.

Approved by

David Robertson
Director, Finance & Corporate Governance

Signature

Author(s)

Kirsty Robb	Pensions and Investments Manager Tel: 01835 825249
Sara Wilson	Treasury Business Partner – Tel: 01835 824000 Extn 5854

Background Papers:

Previous Minute Reference: – Melrose Common Good 14 December 2021

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.

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MELROSE COMMON GOOD FUND
APPENDIX 1
ACTUAL INCOME AND EXPENDITURE 2021/22

	Actuals at 31/03/22	Full Year Approved Budget 2021/22	Over / (Under) Spend 2021/22	Proposed Budget 2022/23	Para Ref	Comments
	£	£	£	£		
Non-Property Related Income						
Investment Fund - Dividends Rec'd	(506)	(416)	(90)	(463)	4.3	Estimate 5% return
Other Income	(10)	(9)	(1)	(10)		
Interest on Cash deposited with Council	(5)	(9)	4	(5)		
Total Income	(521)	(434)	(87)	(478)		
Depreciation						
Depreciation Charge	3,281	3,281	0	3,281	4.4	
Contribution from Revaluation Reserve	(3,281)	(3,281)	0	(3,281)		
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	(521)	(434)	(87)	(478)		

BALANCE SHEET VALUE AS AT 31 MARCH 2022

	Opening Balance at 01/04/21 £	Movement in Year £	Closing Balance at 31/03/22 £	Projected Closing Balance at 31/03/23 £
Fixed Assets				
Land & Buildings	24,969	(3,281)	21,688	18,407
Moveable Assets	0	0	0	0
Total Fixed Assets	24,969	(3,281)	21,688	18,407
Capital in Investment Funds				
Investment Fund Book Value	10,010	10	10,020	10,030
Unrealised Gains/(Loss)	79	(10)	69	69
Market Value	10,089	0	10,089	10,099
Current Assets				
Debtors	36	12	48	48
Cash deposited with SBC	8,507	499	9,006	9,474
Total Current Assets	8,543	511	9,054	9,522
Current Liabilities				
Creditors	0	0	0	0
Receipts in Advance	0	0	0	0
Total Current Liabilities	0	0	0	0
Net Assets	43,601	(2,770)	40,831	38,028
Funded by: Reserves				
Revenue Reserve	(7,666)	(521)	(8,187)	(8,665)
Capital Reserve	(28,786)	10	(28,776)	(28,776)
Revaluation Reserve	(7,149)	3,281	(3,868)	(587)
Total Reserves	(43,601)	2,770	(40,831)	(38,028)

PROPERTY PORTFOLIO PERFORMANCE FOR 2021/22

(Actual property valuation to 31 March 2022 and projected to 31 March 2023)

Fixed Assets – Land & Buildings	Net Book Value at 01/04/21 £	Depn Charge 2021/22 £	Net Book Value at 31/03/22 £	Project'd Depn Charge 2022/23 £	Project'd Net Book Value at 31/03/23 £
Melrose Town Hall	24,969	(3,281)	21,688	(3,281)	18,407
Total	24,969	(3,281)	21,688	(3,281)	18,407

Fixed Assets – Moveable Assets	Net Book Value at 31/03/22 £
Art & Artefacts – held in locations below: <u>Galashiels Town Hall</u> Silver bowl, Gorham, USA <u>Paton Street, Galashiels</u> Painting of Leaderfoot	0

INVESTMENTS EXTERNALLY MANAGED

Cost of Investment	Units	£
Aegon Asset Management Investment (March 2019)	9,230	9,993
Aegon Fund Rebate – (2019-2020)	7	8
Aegon Fund Rebate – (2020-2021)	9	9
Aegon Fund Rebate – (2021-2022)	9	10
Total Invested to 31 March 2022	9,255	10,020

Value of Investment	£
31 March 2019	10,062
31 March 2020	8,485
31 March 2021	10,089
31 March 2022	10,089
Increase/(Decrease) from Total Cash Invested	69

Return on Investment from inception	Capital Return %	Total Return %
to 31 March 2019	+3.86	+9.41
to 31 March 2020	-15.16	-5.98
to 31 March 2021	+0.78	+16.84
to 31 March 2022	+0.68	+22.56

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