
Monitoring Report for 12 Months to 31 March 2016

Report by the Chief Financial Officer

Selkirk Common Good Sub Committee

8 June 2016

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Selkirk Common Good Fund for the year 31 March 2016 including balance sheet values to 31 March 2016 and proposed budget for 2016/17.**
- 1.2 Appendix 1 provides the actual income and expenditure for 2015/16. This shows a surplus of £30,579 and a projected surplus of £26,369 for 2016/17.
- 1.3 Appendix 2 provides a balance sheet value as at 31 March 2016. It shows a decrease in the reserves of £47,788, mainly due to the depreciation adjustment.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing actual rental income and property expenditure to 31 March 2016 where applicable and the 2015/16 depreciation charge.
- 1.5 Appendix 4 shows the value of the Newton Fund to 31 March 2016.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Sub Committee:**
 - (a) Notes the actual income and expenditure for 2015/16 in Appendix 1;**
 - (b) Agrees the proposed budget for 2016/17 as shown in Appendix 1;**
 - (c) Notes the final balance sheet value to 31 March 2016 in Appendix 2;**
 - (d) Notes the summary of the property portfolio in Appendix 3; and**
 - (e) 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 31 March 2016 and proposed budgets for 2016/17. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2017.

4 FINANCIAL POSITION 2015/16

4.1 Appendix 1 provides detail on income and expenditure for the 2015/16 financial year as well as the proposed budget for 2016/17. The surplus generated in the year of £30,579 is greater than the budgeted surplus of £15,131 due to lower than anticipated grant payments and property costs.

4.2 **Income & Expenditure – Rental Income**

Rental income for 2015/16 is shown on Appendices 1 & 3 with Appendix 3 detailing the annual rental income by individual property.

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

The final outturn shows a total of £3,581, and includes £100 donation from Selkirk & District Salmon Angling Association. Also included are Newton Fund dividends, see para 4.4, and the interest received on cash deposited with the Council, which amounted to £521. The annual rate of interest applied to the cash deposits is 0.36%.

4.4 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February. Dividends of £2,960 were received in total to 31 March 2016. The proposed budget for 2016/17 is based on a distribution of 2.0% of the Market Value at 31 March 2015.

4.5 **Income & Expenditure – Property Expenditure**

The property expenditure to 31 March 2016 is detailed in Appendix 3 by property.

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

The grants and other donations distributed to 31 March 2016 are shown below.

Grant Recipients	Approved	£
Approved and Paid to 31 March 2016		
Ettrick Forest Archers – Secure Store/Shelter	01/09/15	3,000
Hill Warden Management Agreement	04/09/14	10,000
Selkirk Xmas Illuminations Group – Power points	23/10/13	1,500
Total Paid to 31 March 2016		14,500
2015/16 Budget		22,000
Unallocated 2015/16 Budget		7,500
Proposed 2016/17 Budget		16,500

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 2016 and a projected balance as at 31 March 2017.

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 2015, depreciation charges 2015/16 and value at 31 March 2016.

4.10 **Balance Sheet – Newton Investment**

- (a) The investment market during 2015-16 has been driven by uncertainty. Equity and bond markets have been pushed and pulled by a concoction of concerns: the outlook for the economy in China, the Greek debt crisis, falling oil prices and huge amounts of uncertainty regarding US interest rates. In the last three months the uncertainty of general global economic prospects, continued sliding of commodity prices and worsening corporate profits have only added to these concerns.
- (b) Global equity markets experienced falls of up to 20% from their peak levels but began to recover in February and in pound sterling terms achieved aggregate gains over the three months to the end of March.
- (c) However, over the full year to 31 March 2016, this Qtr. 4 rally did not quite get the value of the Newton Fund back to its March 2015 level, resulting in a 1.5% fall in like for like market value over the year. Nevertheless, the closing market value of Selkirk Common Good investments at 31 March 2016 yielded a 4.0% unrealised gain since inception. Common Good Fund dividends received in 2015-16 amounted to £2,960, approximately 2.3% of funds invested.
- (d) Appendix 4 shows the performance of the Newton Fund since inception.

4.11 **Balance Sheet – Cash Balance**

The cash held by the fund is £130,950, an in year net increase of £40,860. The cash movement for 2015/16 is as follows:

Cash Balance	£
Opening Balance at 1 April 2015	90,091
Surplus for year from Income & Expenditure Statement	30,579
Net cash movement in Debtors / Creditors	10,281
Closing Balance at 31 March 2016	130,950

4.12 **Balance Sheet – Capital Reserve**

The Capital Reserves include the unrealised gain for the Newton Fund as at 31 March 2016.

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)

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Background Papers:

Previous Minute Reference: Selkirk Common Good Committee 17 February 2016

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SELKIRK COMMON GOOD FUND

INCOME AND EXPENDITURE 2015/16

	Actuals at 31/03/16 £	Full Year Budget 2015/16 £	Over/ (Under) Spend 2015/16 £	Proposed Budget 2016/17 £	Para Ref	Commentary
Property Income						
Rentals Receivable	(69,276)	(68,377)	(899)	(69,593)		
Non-Property Related Income						
Interest on Cash deposited with Council	(521)	(304)	(217)	(521)	4.3	Calculated at 0.36%
Newton Fund Investment – Dividends Rec'd	(2,960)	(3,400)	440	(2,705)	4.4	2016/17 Calculated at 2.0%
Other Income	(100)	(50)	(50)	(50)	4.3	
Total Income	(72,857)	(72,131)	(726)	(72,869)		
Property Expenditure						
Property Costs – General	22,778	30,000	(7,222)	25,00		
Total Property Expenditure	22,778	30,000	(7,222)	25,000		
Grants & Other Donations	14,500	22,000	(7,500)	16,500	4.6	
Running Costs						
Central Support Service Charge	10,000	10,000	0	10,500		
SBC Grant towards Service Charge	(5,000)	(5,000)	0	5,000		
Net Running Costs	5,000	5,000	0	5,000		
Depreciation						
Depreciation Charge	76,358	76,358	0	76,358		
Contribution from Revaluation Reserve	(76,358)	(76,358)	0	(76,358)		
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	(30,579)	(15,131)	(15,448)	(26,369)		

SELKIRK COMMON GOOD FUND

BALANCE SHEET VALUE AS AT 31 MARCH 2016

	Opening Balance at 01/04/15 £	Movement in Year 2015/16 £	Closing Balance at 31/03/16 £	Projected Balances at 31/03/17 £
Fixed Assets				
Land & Buildings	3,311,642	(76,358)	3,235,285	3,158,927
Moveable Assets	1,500	0	1,500	1,500
Total Fixed Assets	3,313,142	(76,358)	3,236,785	3,160,427
Capital in Newton Investment Fund				
Investment in Newton Fund	130,000	0	130,000	130,000
Unrealised Gains/(Loss)	7,280	(2,009)	5,270	5,270
Market Value	137,280	(2,009)	135,270	135,270
Current Assets				
Debtors	5,715	(5,949)	(235)	(235)
Cash deposited with SBC	90,091	40,860	130,950	157,319
	95,806	34,911	130,716	157,085
Current Liabilities				
Creditors	(250)	(3,805)	(4,055)	(4,055)
Receipts in Advance	(10,453)	(526)	(10,980)	(10,980)
	(10,703)	(4,332)	(15,035)	(15,035)
Net Assets	3,535,524	(47,788)	3,487,736	3,437,747
Funded by: Reserves				
Revenue Reserve	(85,102)	(30,579)	(115,681)	(142,050)
Capital Reserve	(137,280)	2,009	(135,270)	(135,270)
Revaluation Reserve	(3,313,142)	76,358	(3,236,785)	(3,160,427)
Total Reserves	(3,535,524)	47,788	(3,487,736)	(3,437,747)

SELKIRK COMMON GOOD FUND

PROPERTY PORTFOLIO PERFORMANCE FOR 2015/16
(Actual Income and Expenditure to 31 March 2016)

Fixed Assets	Net Book Value at 31/03/15	Deprec'n Charge 2015/16	Net Book Value at 31/03/16	Actual Rental Income 2015/16	Actual Property Expenditure at 31/03/16				
					Repairs	Rates, Water & Power	Ins	Other	Total
	£	£	£	£	£	£	£	£	£
The Green Hut	21,600	8,400	13,200	1,175	1,361	0	0	0	1,361
Town Hall Clock	0	0	0	0	0	0	0	0	0
Pant Well Monument	0	0	0	0	0	0	0	0	0
Victoria Hall Caretakers Flat	52,395	2,606	49,789	0	0	0	0	0	0
Victoria hall	798,000	39,000	759,000	0	840	0	0	0	840
Pringle Park	0	0	0	0	0	0	0	0	0
Victoria Park Pavilion site	2,000	0	2,000	201	0	0	0	0	0
Pringle Park Play Area	0	0	0	0	0	0	0	0	0
Selkirk Golf Course	78,500	0	78,500	0	0	0	0	0	0
South Common Farm	460,314	3,686	456,628	9,489	7,326	0	380	388	8,094
Smedheugh Farm	789,360	4,640	784,720	28,700	10,565	0	427	510	11,501
Selkirk Hill Grazings	35,000	0	35,000	410	0	0	0	0	0
Linglie Farm	626,333	3,667	622,666	7,300	0	0	402	201	603
Victoria Park & Caravan Site	0	0	0	0	0	0	0	0	0
26 Market Place	29,567	1,933	27,634	4,160	0	0	0	0	0
28 Market Place	39,860	2,640	37,220	5,600	0	0	0	0	0
Selkirk Town Hall	144,213	9,787	134,426	0	0	0	247	52	299
South Common Plantations	3,500	0	3,500	0	0	0	0	0	0
Smedheugh Farm Shootings	4,000	0	4,000	250	0	0	0	0	0
Smedheugh Plantations	9,500	0	9,500	0	0	0	0	0	0
Linglie Plantations	16,000	0	16,000	0	0	0	0	0	0
Linglie Farm Shootings	8,000	0	8,000	291	0	0	0	0	0
Linglie Mast Site	87,000	0	87,000	11,550	0	0	0	0	0
River Ettrick Salmon Fishing Right	700	0	700	0	0	0	0	0	0
Bog Park Recreation Area	0	0	0	0	0	0	0	0	0

Fixed Assets	Net Book Value at 31/03/15	Deprec'n Charge 2015/16	Net Book Value at 31/03/16	Actual Rental Income 2015/16	Actual Property Expenditure at 31/03/16				
					Repairs	Rates, Water & Power	Ins	Other	Total
	£	£	£	£	£	£	£	£	£
Shawburn Amenity Ground	0	0	0	0	0	0	0	0	0
Shawburn Toll Embankment	0	0	0	0	0	0	0	0	0
Bog Park Playground	0	0	0	0	0	0	0	0	0
Victoria Park Play Area	0	0	0	0	0	0	0	0	0
Civic Amenity Site	70,800	0	70,800	0	0	0	0	0	0
Rosebank Quarry Former Tip Site	0	0	0	0	0	0	0	0	0
Rosebank Quarry Play Area	0	0	0	0	0	0	0	0	0
Shawpark Road Development Site	35,000	0	35,000	0	0	0	0	0	0
South Common Farm Shootings	0	0	0	150	0	0	0	0	0
Property Expenditure - General	-	-	-	0	0	0	-28	107	79
Total	3,311,642	76,358	3,235,285	69,276	20,092	0	1,428	1,258	22,778

REPAIRS ANALYSIS

Property	Joinery (Common Riding)	Bathroom Repairs	Shed Repairs	Fountain Repairs	Clear Gutters	Rewiring	Building Work - Ramp	Field Drainage	Total
The Green Hut	0	0	0	0	90	0	1,271	0	1,361
Victoria Hall	592	0	0	248	0	0	0	0	840
Smedheugh Farm	0	3,838	3,743	0	200	0	0	2,784	10,565
South Common Farm	0	0	0	0	0	7,326	0	0	7,326
Total	592	3,838	3,743	248	290	7,326	1,271	2,784	20,092

SELKIRK COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	69,530	130,000
Total Invested to 31 March 2016	69,530	130,000

Value of Investment	£
31 March 2015	137,280
30 June 2015	133,379
30 September 2015	129,583
31 March 2016	131,342
31 March 2016	135,270
Increase/(Decrease) from Total Cash Invested	5,270

The following chart shows the Newton Funds quarterly return performance against the Benchmark and against an equity performance index (MSCI AC World Index).

