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## **Monitoring Report for 3 Months to 30 June 2016**

**Report by the Chief Financial Officer**

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### **Hawick Common Good Sub Committee**

**16 August 2016**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides the details of the income and expenditure for the Hawick Common Good Fund for the three months to 30 June 2016 and full year projected out-turn for 2016/17 and projected balance sheet values as at 31 March 2017.**
- 1.2 Appendix 1 provides the projected income and expenditure position. This shows a projected surplus of £39,504 for the year.
- 1.3 Appendix 2 provides a projected balance sheet value as at 31 March 2017. It shows a projected decrease in the reserves of £89.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing projected rental income for 2016/17 and actual property expenditure to 30 June 2016.
- 1.5 Appendix 4 shows the value of the Newton Fund to 30 June 2016.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Common Good Sub Committee:**
  - (a) Agrees the projected income and expenditure for 2016/17 in Appendix 1 as the revised budget for 2016/17;**
  - (b) Notes the projected balance sheet value as at 31 March 2017 in Appendix 2;**
  - (c) Notes the summary of the property portfolio in Appendix 3; and**
  - (d) 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 30 June 2016 and projections to 31 March 2017. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2017.

### 4 FINANCIAL POSITION 2016/17

- 4.1 Appendix 1 provides detail on income and expenditure for the 2016/17 financial year. The projected net position for the year is a surplus of £39,504. The variance to original projected surplus is due to the Hawick Golf Club Notional Rent/Grant, see para 4.6.
- 4.2 **Income & Expenditure – Rental Income**  
Rental income for 2016/17 is shown in Appendices 1 & 3 with Appendix 3 detailing the projected annual rental income by individual property.
- 4.3 **Income & Expenditure – Non-Property Related Income**  
The projected out-turn includes an estimate for the interest receivable on cash deposited with the Council. This, however, does not show as an actual income until the end of the financial year as the amount is dependent on interest rates and the average cash revenue balance invested with the Council over the full financial year. The annual rate of interest applied to the cash deposits is expected to be around 0.36%. An amount of £296 has also been projected for income received from Pay & Display.
- 4.4 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February. The proposed budget for 2016/17 is based on a distribution of 2.0% which will be subject to the overall performance of the fund.
- 4.5 **Income & Expenditure – Property Expenditure**  
(a) The property expenditure to 30 June is detailed in Appendix 3 by property.
- (b) The proposed Budget for 2016/17 includes general repair figures of £5,000 for St Leonard's, £10,000 for Pilmuir and £35,000 for the other Hawick properties. Further budget may be required for specific projects which will be reported and requested throughout the year once more detailed costs are established.
- 4.6 **Income & Expenditure – Grants & Other Donations**  
The grants and other donations distributed to 30 June 2016 are shown over. Due to the high level of grants already approved for 2016/17 and the notional grant to Hawick Golf Club for their rent of £9,200 for 2016/17 the grants budget has been fully utilised and is currently overallocated by £4,200. It is therefore proposed to increase the 2016/17 budget by £10,000 to £23,500 to allow a further £5,800 for any further grant applications during 2016/17.

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
<b>Approved and Paid to 30 June 2016</b>		
Hawick Welcome Initiative – 20 <sup>th</sup> Ann Celebrations	17/05/16	1,300
Escape Youth Café	17/05/16	5,000
Hawick Golf Club Notional Rent Contribution	17/05/16	9,200
<b>Total Paid to 30 June 2016</b>		<b>15,500</b>
<b>Approved but not yet paid</b>		
Salvation Army Hire of Hall – 2016/17 Xmas Service	18/11/14	200
Hawick Summer Festival	29/06/16	2,000
<b>Total Grants Approved</b>		<b>17,700</b>
<b>2016/17 Budget</b>		<b>13,500</b>
<b>Unallocated/(Overallocated) Budget</b>		<b>(4,200)</b>

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

The depreciation charge is projected to be £39,592. 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.

4.8 Appendix 2 provides the balance sheet value as at 31 March 2016, the projected movement in year 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 5 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, projected depreciation charges for 2016/17 and projected value at 31 March 2017.

#### 4.10 **Balance Sheet – Newton Investment**

- (a) During Quarter 1 the Fund generated a positive absolute return, ahead of its return objective. The Fund performed well in the volatility following the Brexit Vote, due to being very cautiously positioned ahead of the Referendum. The contribution of the stabilising aspects of the Funds strategy, such as the holdings in US Treasuries, the underweight position in Sterling versus our £ Libor target and the holdings of physical gold added positively to the overall return.
- (b) Going forward, the overriding emphasis is for the Fund to retain a cautious bias and it is not thought that there will be any major change to in the stability of the returns that the Fund has produced so far this year.
- (c) The market value of Hawick Common Good investments at 30 June 2016 has yielded an 8% unrealised gain on the total invested to date.

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

The cash held by the fund is projected to be £173,541, an in year projected increase of £39,504. The projected cash movement for 2016/17 is as follows:

<b>Cash Balance</b>	<b>£</b>
<b>Opening Balance at 1 April 2016</b>	<b>134,037</b>
Transfer to Newton Fund	0
Projected Surplus for year from Income & Expenditure Statement	39,504
Projected Net cash movement in Debtors/Creditors	0
<b>Projected Closing Balance at 30 March 2017</b>	<b>173,540</b>

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

The projections for the Capital Reserves include the unrealised gain for the Newton Fund as at 31 March 2017 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 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:** Hawick Common Good Committee 17 May 2016

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## HAWICK COMMON GOOD FUND

## PROJECTED INCOME AND EXPENDITURE 2016/17

	Actuals at 30/06/16 £	Full Year Approved Budget 2016/17 £	Full Year Projected Out-turn 2016/17 £	Full Year Projected Over/ (Under) Spend £	Para Ref	Commentary
<b>Property Income</b>						
Rentals Receivable	(88,908)	(109,850)	(109,850)	0	4.2	
<b>Non-Property Related Income</b>						
Interest on Cash deposited with Council	0	(584)	(584)	0	4.3	
Newton Fund Investment – Dividends Rec'd	0	(7,439)	(7,439)	0	4.4	
Other Income	0	(296)	(296)	0	4.3	
<b>Total Income</b>	<b>(88,908)</b>	<b>(118,169)</b>	<b>(118,169)</b>	<b>0</b>		
<b>Property Expenditure</b>						
Property Costs – General	7,143	35,000	35,000	0	4.5	
Property Costs – Pilmuir	242	10,000	10,000	0	4.5	
Property Costs – St Leonards	108	5,000	5,000	0	4.5	
<b>Total Property Expenditure</b>	<b>7,493</b>	<b>50,000</b>	<b>50,000</b>	<b>0</b>		
<b>Grants &amp; Other Donations</b>	<b>15,500</b>	<b>13,500</b>	<b>23,500</b>	<b>10,000</b>	4.6	
<b>Running Costs</b>						
Central Support Service Charge	10,841	10,841	10,841	0		
SBC Grant towards Service Charge	(5,676)	(5,676)	(5,676)	0		
<b>Net Running Costs</b>	<b>5,165</b>	<b>5,165</b>	<b>5,165</b>	<b>0</b>		
<b>Depreciation</b>						
Depreciation Charge	0	39,592	39,592	0	4.7	
Contribution from Revaluation Reserve	0	(39,592)	(39,592)	0	4.7	
<b>Net impact of Depreciation on Rev Res</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Total Net (Surplus)/Deficit for year</b>	<b>(60,751)</b>	<b>(49,504)</b>	<b>(39,504)</b>	<b>10,000</b>		

## HAWICK COMMON GOOD FUND

## PROJECTED BALANCE SHEET VALUE AS AT 30 JUNE 2016

	Opening Balance at 01/04/16 £	Projected Movement in Year £	Projected Balances at 31/03/17 £
<b>Fixed Assets</b>			
Land & Buildings	3,635,268	(39,592)	3,595,676
Heritable Assets	0	0	0
Feu Duties	3,000	0	3,000
<b>Total Fixed Assets</b>	18	0	18
	<b>3,638,287</b>	<b>(39,592)</b>	<b>3,598,695</b>
<b>Capital in Newton Investment Fund</b>			
Investment in Newton Fund	359,171	0	359,171
Unrealised Gains/(Loss)	12,795	0	12,795
<b>Market Value</b>	<b>371,966</b>	<b>0</b>	<b>371,966</b>
<b>Current Assets</b>			
Debtors	4,656	0	4,656
Cash deposited with SBC	134,037	39,504	173,540
<b>Total Current Assets</b>	<b>138,693</b>	<b>39,504</b>	<b>178,196</b>
<b>Current Liabilities</b>			
Creditors	(5,549)	0	(5,549)
Receipts in Advance	(5,278)	0	(5,278)
<b>Total Current Liabilities</b>	<b>(10,827)</b>	<b>0</b>	<b>(10,827)</b>
<b>Net Assets</b>	<b>4,138,119</b>	<b>(89)</b>	<b>4,138,031</b>
<b>Funded by: Reserves</b>			
Revenue Reserve	(127,867)	(39,504)	(167,369)
Capital Reserve	(507,801)	0	(507,801)
Revaluation Reserve	(3,502,452)	39,592	(3,462,860)
<b>Total Reserves</b>	<b>(4,138,119)</b>	<b>89</b>	<b>(4,138,031)</b>

## HAWICK COMMON GOOD FUND

**PROPERTY PORTFOLIO PERFORMANCE FOR 2016/17**  
**(Projected Income and Expenditure to 30 June 2016)**

Fixed Assets	Net Book Value at 31/03/16	Projected Deprec'n Charge 2016/17	Projected Net Book Value at 31/03/17	Projected Rental Income 2016/17	Actual Property Expenditure at 30/06/16				
					Repairs	Rates, Water & Power	Ins	Other	Total
	£	£	£	£	£	£	£	£	£
<b>General</b>									
Moat Park	0	0	0	0	0	0	0	0	0
Moat Park Playground	0	0	0	0	0	0	0	0	0
Hawick Golf Course	73,000	0	73,000	9,200	0	0	0	0	0
Acreknowe Reservoir (Part)	0	0	0	0	0	0	0	0	0
Williestruther Loch	4,500	0	4,500	400	419	0	0	0	419
Williestruther Cottage	170,742	4,629	166,113	6,500	142	0	0	0	142
Lothian Street Store	17,074	463	16,611	2,550	0	0	(46)	0	(46)
Common Haugh Car Park	82,000	0	82,000	11,700	140	0	0	0	140
Underhaugh	0	0	0	0	0	0	0	0	0
Hawick Moor Racecourse & Bldgs	32,520	1,240	31,280	875	2,284	0	0	0	2,284
Hawick Moor Shootings	4,000	0	4,000	300	0	0	0	0	0
Woodend Grazings (West)	1,500	0	1,500	80	0	0	0	0	0
Millpath Stables	21,380	560	20,820	0	3,710	0	0	0	3,710
Ca'Knowe Monument	0	0	0	0	0	0	0	0	0
Volunteer Park & Stand	310,135	14,933	295,202	1,750	0	0	0	0	0
Hawick Burgh Woodlands	99,000	0	99,000	0	0	0	0	0	0
Woodend Grazings (East)	1,000	0	1,000	80	0	0	0	0	0
Hawick Golf Club Sub Stn Site	750	0	750	75	0	0	0	0	0
Common Riding	0	0	0	0	0	0	0	0	0
Haggis Ha/Burnflat Wall	0	0	0	0	0	0	0	0	0
Williestruther Path	0	0	0	0	0	0	0	0	0
100 Stairs and Adjacent Land	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	435	59	0	0	494
<b>General Sub Total</b>	<b>817,601</b>	<b>21,825</b>	<b>795,776</b>	<b>33,510</b>	<b>7,130</b>	<b>59</b>	<b>(46)</b>	<b>0</b>	<b>7,143</b>



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
	£	£	£	£	£	£	£	£	£
<b>Pilmuir</b>									
Pilmuir Farm	1,792,503	3,749	1,788,754	45,000	242	0	0	0	242
Pilmuir Farm Cottage	152,800	3,600	149,200	7,200	0	0	0	0	0
Pilmuir Farm Shed & Silage Pit	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	0	0	0	0	0
<b>Pilmuir Sub Total</b>	<b>1,945,303</b>	<b>7,349</b>	<b>1,937,954</b>	<b>52,200</b>	<b>242</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>242</b>
<b>St Leonards</b>									
St Leonards Farmhouse Buildings	246,222	4,889	241,333	9,600	0	0	0	0	0
St Leonards Cottage & Park	203,942	5,529	198,413	5,400	63	0	0	0	63
St Leonards Hut	3,200	0	3,200	0	45	0	0	0	45
St Leonards Grazings (Lot 1)	135,000	0	135,000	1,349	0	0	0	0	0
St Leonards Horse Gallop	17,000	0	17,000	600	0	0	0	0	0
St Leonards Grazings (Lot 2)	267,000	0	267,000	7,191	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	0	0	0	0	0
<b>St Leonards Sub Total</b>	<b>872,364</b>	<b>10,418</b>	<b>861,946</b>	<b>24,140</b>	<b>108</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>108</b>
<b>Total</b>	<b>3,635,268</b>	<b>39,592</b>	<b>3,595,676</b>	<b>109,850</b>	<b>7,480</b>	<b>59</b>	<b>(46)</b>	<b>0</b>	<b>7,493</b>

## HAWICK COMMON GOOD FUND

## INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	102,901	192,394
17 January 2014	30,010	56,884
24 January 2014	29,680	56,036
3 February 2014	28,602	53,857
<b>Total Invested to 30 June 2016</b>	<b>191,193</b>	<b>359,171</b>

Value of Investment	£
31 March 2016	371,966
30 June 2016	387,434
30 September 2016	
31 December 2016	
31 March 2017	
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>28,263</b>

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

