
MONITORING REPORT FOR 3 MONTHS TO 30 JUNE 2016

Report by the Chief Financial Officer

SELKIRK COMMON GOOD SUB-COMMITTEE

30 August 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 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 a projected Income and Expenditure position. This shows a projected surplus of £17,369 for the year.
- 1.3 Appendix 2 provides a projected Balance Sheet to 31 March 2017. It shows a projected decrease in the reserves of £58,989 due mainly to further investment in the Newton Fund, see Appendix 4.
- 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 to 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 details on income and expenditure for the 2016/17 financial year. The projected net position for the year is a surplus of £17,369, assuming full expenditure of the grants and donations budget of which £9,596 remains to be allocated.

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 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%. The variance to projected budget is due to expected £1,000 one-off payment for servitude right over Selkirk hill for a water pipe.

4.4 Distributions are made twice a year in September and February from Newton Fund Investments. 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

The property expenditure to 30 June 2016 is detailed in Appendix 3 by property.

4.6 Income & Expenditure – Grants & Other Donations

The grants and other donations distributed to 30 June 2016 are shown below.

Grant Recipients	Approved	£
Approved and Paid to 30 June 2016		
Selkirk Chamber of Trade – Pop up Shops	08/06/16	4,000
Selkirk Silver Band	08/06/16	750
Scott's Selkirk Association (to offset nominal rent)	08/06/16	1,175
Scott's Selkirk Association (refund 2014/15)	08/06/16	979
Total Paid to 30 June 2016		6,904
Approved but not yet paid		
Hill Warden Management Agreement	04/09/14	10,000
Total Grants Approved		16,904
Budget 2016/17		26,500
Unallocated/(Overallocated) Budget		9,596

4.7 **Income & Expenditure – Depreciation Charge**

The depreciation charge is projected to be £76,358. 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 to 31 March 2016, the projected movement in year and a projected balance 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 2016, projected depreciation charges 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 Selkirk Common Good investments at 30 June 2016 has yielded a 7% unrealised gain on the total invested to date.

4.11 **Balance Sheet – Cash Balance**

The cash held by the fund is projected to be £93,320, an in-year projected decrease of £37,630, due mainly to further investment of £55,000 to the Newton Fund. The projected cash movement for 2016/17 is as follows:

Cash Balance	£
Opening Balance at 1 April 2016	130,950
Transfer to Newton Fund	(55,000)
Projected Surplus for year from Income & Expenditure Statement	17,369
Projected Net cash movement in Debtors/Creditors	0
Projected Closing Balance at 31 March 2017	93,320

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)

Kirsty Robb John Yallop	Capital and Investments Manager Tel: 01835 825249 Senior Finance Officer – Treasury & Investments Tel: 01835 824000 Extn 5933
----------------------------	---

Background Papers:

Previous Minute Reference: Selkirk Common Good Committee, 8 June 2016

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

SELKIRK COMMON GOOD FUND

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
	£	£	£	£		
Property Income						
Rentals Receivable	(56,214)	(69,593)	(69,593)	0	4.2	
Non-Property Related Income						
Interest on Cash deposited with Council	0	(521)	(521)	0	4.3	
Newton Fund Investment – Dividends Rec'd	0	(2,705)	(2,705)	0	4.4	
Other Income	0	(50)	(1,550)	(1,000)	4.3	Selkirk Hill Servitude
Total Income	(56,214)	(72,869)	(73,869)	(1,000)		
Property Expenditure						
Property Costs – General	870	25,000	25,000	0	4.5	
Total Property Expenditure	870	25,000	25,000	0		
Grants & Other Donations	6,904	26,500	26,500	0	4.6	
Running Costs						
Central Support Service Charge	10,000	10,000	10,000	0		
SBC Grant towards Service Charge	(5,000)	(5,000)	(5,000)	0		
Net Running Costs	5,000	5,000	5,000	0		
Depreciation						
Depreciation Charge	0	76,358	76,358	0	4.7	
Contribution from Revaluation Reserve	0	(76,358)	(76,358)	0	4.7	
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	(43,441)	(16,369)	(17,369)	(1,000)		

SELKIRK COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AS AT 31 March 2017

	Opening Balance at 01/04/16 £	Projected Movement in Year £	Projected Balances at 31/03/17 £
Fixed Assets			
Land & Buildings	3,235,285	(76,358)	3,158,927
Moveable Assets	1,500	0	1,500
Total Fixed Assets	3,236,785	(76,358)	3,160,427
Capital in Newton Investment Fund			
Investment in Newton Fund	130,000	55,000	185,000
Unrealised Gains/(Loss)	5,270	0	5,270
Market Value	135,270	55,000	190,270
Current Assets			
Debtors	(235)	0	(235)
Cash deposited with SBC	130,950	(37,630)	93,230
	130,717	(37,630)	93,085
Current Liabilities			
Creditors	(4,055)	0	(4,055)
Receipts in Advance	(10,980)	0	(10,980)
	(15,035)	0	(15,035)
Net Assets	3,487,736	(58,989)	3,428,747
Funded by: Reserves			
Revenue Reserve	(115,681)	37,631	(78,050)
Capital Reserve	(135,270)	(55,000)	(190,270)
Revaluation Reserve	(3,236,785)	76,358	(3,160,427)
Total Reserves	(3,487,736)	58,989	(3,428,747)

SELKIRK COMMON GOOD FUND

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

Fixed Assets	Net Book Value at 31/03/16	Projected Depn 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
	£	£	£	£	£	£	£	£	£
The Green Hut	13,200	8,400	4,800	1,175	0	0	0	0	0
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	49,790	2,606	47,185	0	0	0	0	0	0
Victoria hall	759,000	39,000	720,000	0	0	0	0	0	0
Pringle Park	0	0	0	0	0	0	0	0	0
Victoria Park Pavilion site	2,000	0	2,000	200	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	456,628	3,686	452,942	9,600	0	0	0	0	0
Smedheugh Farm	784,720	4,640	780,080	28,700	0	0	0	0	0
Selkirk Hill Grazings	35,000	0	35,000	410	0	0	0	0	0
Linglie Farm	622,666	3,667	618,999	7,300	0	0	0	0	0
Victoria Park & Caravan Site	0	0	0	0	0	0	0	0	0
26 Market Place	27,634	1,933	25,701	4,160	490	0	(41)	0	449
28 Market Place	37,220	2,640	34,580	5,600	520	0	(99)	0	421
Selkirk Town Hall	134,426	9,787	124,639	0	0	0	0	0	0
South Common Plantations	3,500	0	3,500	0	0	0	0	0	0
Smedheugh Farm Shootings	4,000	0	4,000	200	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	200	0	0	0	0	0
Linglie Mast Site	87,000	0	87,000	11,848	0	0	0	0	0
South Common Farm Shootings	0	0	0	200	0	0	0	0	0
River Ettrick Salmon Fishing Right	700	0	700	0	0	0	0	0	0

Fixed Assets	Net Book Value at 31/03/16 £	Projected Depn 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
					£	£	£	£	£
Bog Park Recreation Area	0	0	0	0	0	0	0	0	0
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
Property Expenditure - General	-	-	-	0	0	0	0	0	0
Total	3,235,285	76,358	3,158,926	69,593	1,010	0	(141)	0	870

REPAIRS ANALYSIS

Property	External Decoration								Total
26 Market Place	490	0	0	0	0	0	0	0	0
28 Market Place	520	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
Total	1,010	0	0	0	0	0	0	0	0

SELKIRK COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	69,530	130,000
27 June 2016	27,950	55,000
Total Invested to 30 June 2016	69,530	185,000

Value of Investment	£
31 March 2015	135,270
30 June 2015	197,533
30 September 2015	
30 June 2016	
31 March 2017	
Increase/(Decrease) from Total Cash Invested	12,533

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

