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## **MONITORING REPORT FOR 3 MONTHS TO 30 JUNE 2016**

**Report by the Chief Financial Officer**

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### **JEDBURGH COMMON GOOD SUB COMMITTEE**

**14 September 2016**

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

- 1.1 This report provides the details of the income and expenditure for the Jedburgh Common Good Fund for the 3 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 deficit of £333 for the year.
- 1.3 Appendix 2 provides a projected Balance Sheet to 31 March 2016. It shows a projected decrease in the reserves of £11,932.
- 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;**
  - (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 deficit of £333, assuming full expenditure of the grants and donations budget of which £11,250 remains to be allocated.

#### 4.2 Income & Expenditure – Rental Income

There is no Rental Income for the properties owned by the Common Good.

#### 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%. Also included are interest payments received from Jedburgh Common Good Loans.

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

There are no Property Expenses on the Jedburgh Common Good properties.

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

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

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
<b>Approved and Paid to 30 June 2016</b>		
Jedburgh Community Council – Festive Lighting	01/06/16	2,000
<b>Total Paid to 30 June 2016</b>		<b>2,000</b>
<b>Approved but not yet paid</b>		
Jethart Callants Festival	29/06/16	5,000
<b>Total Grants Approved</b>		<b>7,000</b>
<b>Budget 2016/17</b>		<b>18,250</b>
<b>Unallocated/(Overallocated) Budget</b>		<b>11,250</b>

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

The depreciation charge is projected to be £11,600. 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 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 Jedburgh Common Good investments at 30 June 2016 has yielded a 7% unrealised gain on the total invested to date.

#### 4.11 **Balance Sheet – Long Term Debtors**

- (a) Long Term Debtors are projected to reduce by £11,000 as detailed in 4.12 leaving a projected year-end balance of £36,464.
- (b) Proposals to transfer the loan currently in favour of Jedburgh Community Trust to the Jed Shed were noted at a meeting of the Jedburgh Common Good on 29 June 2016. It was proposed that the Jedburgh Common Good requires to decide whether it is agreeable to the transfer of the Loan and in order to secure the transferred loan, on the sale of the property, the existing standard security by Jedburgh Community Trust would be discharged by Jedburgh Common Good and a replacement security granted by the Jed Shed.

#### 4.12 **Balance Sheet – Cash Balance**

The cash held by the fund is projected to be £66,403, an in year projected increase of £10,667 mainly due to the projected repayment of Principal on the Jedburgh Common Good Loans whilst also accounting for projected deficit on £333. The projected cash movement for 2016/17 is as follows:

<b>Cash Balance</b>	<b>£</b>	<b>£</b>
<b>Opening Balance at 1 April 2016</b>		<b>55,736</b>
(Investment)/Disinvestment in Newton Fund		0
<b>Repayment of Principal (Long Term Debtors)</b>		
Jedburgh Bowling Club Loan	9,000	
Jedburgh Golf Club Loan	1,000	
Jedburgh Community Trust Loan	1,000	11,000
Projected Deficit for year from Income & Expenditure Statement		(333)
Net cash movement in Debtors/Creditors		0
<b>Projected Closing Balance at 31 March 2017</b>		<b>66,403</b>

#### 4.13 **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.

#### 4.14 **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)**

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**Background Papers:**

**Previous Minute Reference:** Jedburgh Common Good Committee 1 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.

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## JEDBURGH 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
	£	£	£	£		
<b>Property Income</b>						
Rentals Receivable	0	0	0	0	4.2	
<b>Non-Property Related Income</b>						
Interest Receivable from Loans to – Jedburgh Bowling Club	0	(1,000)	(1,000)	0	4.3	
Jedburgh Golf Club	(29)	(224)	(224)	0	4.3	
Interest on Cash deposited with Council	0	(97)	(97)	0	4.3	
Newton Fund Investment – Dividends Rec'd	0	(18,825)	(18,825)	0	4.4	
<b>Total Income</b>	<b>(29)</b>	<b>(20,146)</b>	<b>(20,146)</b>	<b>0</b>		
<b>Property Expenditure</b>						
Property Costs – General	0	0	0	0	4.5	
<b>Total Property Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Grants &amp; Other Donations</b>	<b>2,000</b>	<b>18,250</b>	<b>18,250</b>	<b>0</b>	4.6	
<b>Running Costs</b>						
Central Support Service Charge	3,621	3,621	3,621	0		
SBC Grant towards Service Charge	(1,392)	(1,392)	(1,392)	0		
<b>Net Running Costs</b>	<b>2,229</b>	<b>2,229</b>	<b>2,229</b>	<b>0</b>		
<b>Depreciation</b>						
Depreciation Charge	0	11,600	11,600	0	4.7	
Contribution from Revaluation Reserve	0	(11,600)	(11,600)	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>4,200</b>	<b>333</b>	<b>333</b>	<b>0</b>		

## JEDBURGH 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 £
<b>Fixed Assets</b>			
Land & Buildings	476,800	(11,600)	465,200
Feu Duties	0	0	0
<b>Total Fixed Assets</b>	<b>476,800</b>	<b>(11,600)</b>	<b>465,200</b>
<b>Capital in Newton Investment Fund</b>			
Investment in Newton Fund	915,174	0	915,174
Unrealised Gains/(Loss)	26,082	0	26,082
<b>Market Value</b>	<b>941,256</b>	<b>0</b>	<b>941,256</b>
<b>Long Term Debtors</b>			
Loan to Jedburgh Bowling Club	40,000	(9,000)	31,000
Loan to Jedburgh Golf Club	3,631	(1,000)	2,631
Loan to Jedburgh Comm Trust	3,833	(1,000)	2,833
	<b>47,464</b>	<b>(11,000)</b>	<b>36,464</b>
<b>Current Assets</b>			
Debtors	0	0	0
Cash deposited with SBC	55,736	10,667	66,403
	<b>55,736</b>	<b>10,667</b>	<b>66,403</b>
<b>Current Liabilities</b>			
Creditors	0	0	0
Receipts in Advance	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>1,521,255</b>	<b>(11,932)</b>	<b>1,509,323</b>
<b>Funded by:</b>			
<b>Reserves</b>			
Revenue Reserve	(103,200)	333	(102,867)
Capital Reserve	(943,929)	0	(943,929)
Revaluation Reserve	(474,127)	11,600	(462,527)
<b>Total Reserves</b>	<b>(1,521,255)</b>	<b>11,932</b>	<b>(1,509,323)</b>

## JEDBURGH 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 £
Jedburgh Provosts Room	0	0	0	0	0	0	0	0	0
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	0	0
<b>Total</b>	<b>476,800</b>	<b>11,600</b>	<b>465,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## JEDBURGH COMMON GOOD FUND

## INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	23,377	43,708
17 January 2014	147,816	280,185
24 January 2014	146,191	276,008
3 February 2014	140,878	265,273
5 March 2015	25,576	50,000
<b>Total Invested to 30 June 2016</b>	<b>483,838</b>	<b>915,174</b>

Value of Investment	£
31 March 2016	941,256
30 June 2016	980,396
30 September 2016	
31 December 2016	
31 March 2017	
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>65,222</b>

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

