

Scottish Borders Council

Common Good Funds

Charity Registration Number: SC031538

# **annual report and financial statements**

for the year to 31 March 2016



## Contents

	<b>Page</b>
<b>Foreword</b>	<b>3</b>
<b>Trustee's Annual Report</b>	<b>4</b>
<b>Statement of Trustees' Responsibilities for the Annual Report and Financial Statements</b>	<b>9</b>
<b>Financial Statements</b>	
Statement of Financial Activities	10
Balance Sheet	11
<b>Accounting Policies</b>	<b>12</b>
<b>Notes to the Financial Statements</b>	<b>14</b>
<b>Independent Auditor's Report</b>	<b>17</b>
<b>Additional Information</b>	<b>19</b>

## FOREWARD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

The Charity comprises of the nine Common Good Funds within Scottish Borders Council, each holding property which it is responsible for maintaining and distributing grants to local causes which are eligible within its charitable purpose.

Innerleithen Common Good is recognised in 2015-16 with the inclusion of the Innerleithen Memorial Hall in the Common Good Property Register.

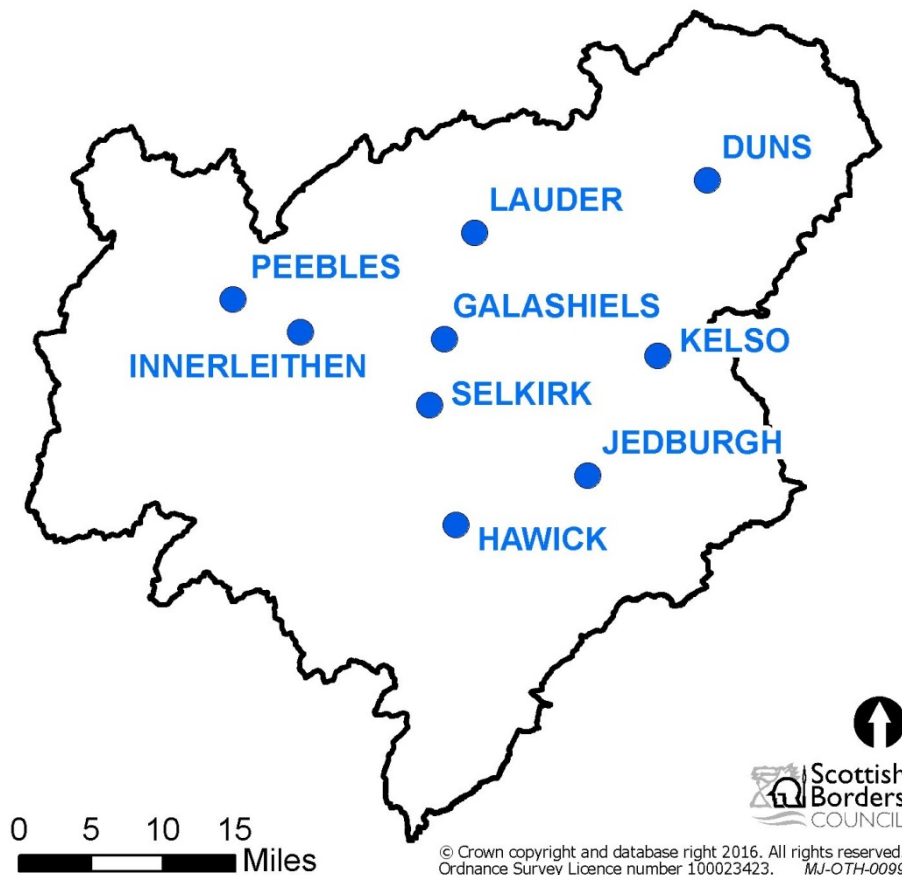
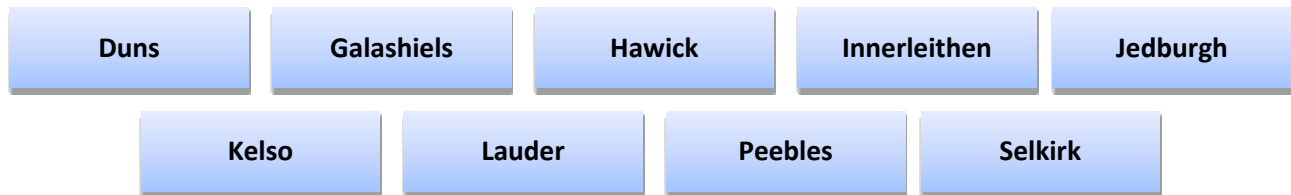
Each Common Good Fund within the charity has financial investments and / or property assets; the operational management of which is overseen by individual Sub-Committees of Elected Members from the relevant ward(s), supported by officers from the Council.

## TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2016.

### Structure

a) The Charity comprises a number of separate funds for the former Burghs of:



b) Each fund is administered by a Sub-Committee of Elected Members representing the Council wards in which each Burgh is situated.

## Charitable Purpose

The charitable purpose of the Common Good Funds are that, subject to their legal responsibilities in terms of any assets held by the charities, the **funds are operated for the common good of the residents** of the aforesaid former Burghs and may be used to **provide advancement of citizenship or community development**.

In respect of those funds which have land and property (Duns, Hawick, Innerleithen, Jedburgh, Kelso, Lauder, Peebles and Selkirk), the Trustees recognise their obligations to ensure that these assets are maintained.

## Summary of the Main Activities

The Charity has taken steps to ensure that the **assets of the Funds are properly managed and accounted for**. Quarterly budget monitoring reports have been prepared for consideration by the Trustees forming the Working Group for each individual Burgh and the minutes of these meetings reported to the full Council in terms of the Code of Governance.

Maintenance work has been approved and carried out on fixed assets and responses made to applications for financial assistance as detailed in the Notes to the Financial Statements on page 13.

Most of the funds have made donations to eligible beneficiaries in their Burghs.

## Plans for the Future

The Common Good Funds will continue to **maintain their heritable assets and will look to maximise their income** from any of these assets which are let commercially. Where assets are used by third parties towards the Common Good of the Burgh then rental levels may reflect this aspect of the tenants' activity.

Where funds permit, the Common Good Funds will look to make grants to organisations in their Burghs which will provide benefit to the Burgh residents, as approved by the individual Common Good Committees.

## Governance and Management

### Type of Governing Documents

- a) The overarching governance of the Charity is the principle of statute and common law. The statutory framework is the successive Acts from the Common Good Act 1491 through to the Local Government Scotland Act 1994, with the Local Government (Scotland) Act 1973 provisions still in force, and the Local Government in Scotland Act 2003. Cognisance is also to be taken of the various judicial opinions in case law governing the treatment of Common Goods.
- b) The funds are governed by Trustee's in line with the Local Code of Corporate Governance of Scottish Borders Council, consideration being given to:



- c) When considering any action in connection with the Common Good Funds the Trustees have regard to the interests of the inhabitants of the area to which the Common Good formerly related.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller entities (FRSSE), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council and the relevant ward, i.e. those wards covering former Burgh areas and in terms of the Council's Code of Governance.

## Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

### Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all financial obligations in respect of properties owned by the charity, where relevant, and
- all support and governance costs are covered.

At 31 March 2016, the reserves of the Common Good Funds amounted to:

- Restricted Income Funds - £3,353m
- Revaluation Reserves - £10,542m

**Investments** Per the Councils Common Good and Trust Fund investment strategy the main balance of funds are invested in the Newton Real Return Fund.

## Reference and Administrative Information

**Charity Name** Scottish Borders Council Common Good Funds

**Charity registration number** SC031538

**Business Address** Council HQ  
Newtown St Boswells  
Melrose  
Scottish Borders

### Trustees

The Trustees of this charity are the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994. These are:

Sandy Aitchison	Willie Archibald	Michelle Ballantyne
Stuart Bell	Catriona Bhatia	Jim Brown
Joan Campbell	Michael J Cook	Keith Cockburn
Alastair Cranston	Vicky M Davidson	Gordon Edgar
James A Fullerton	Graham H T Garvie	Iain Gillespie
John Greenwell	Bill Herd	Gavin Logan
Stuart Marshall	Watson McAteer (from May 2014)	John G Mitchell
Donald Moffat	Simon Mountford	Alexander J Nicol
David Parker	David Paterson	Francis Renton
Sandy Scott	Ron Smith	Rory Stewart
Jim Torrance	George Turnbull	Tom Weatherspoon
Bill White		

**Chief Executive** The Chief Executive of Scottish Borders Council is Tracey Logan.

**Auditor** KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Common Good Funds which is recognised within Other: governance costs.. All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

The report was signed on behalf of the Trustees by

**David Parker**  
**Trustee**  
**Scottish Borders Council Common Good Funds**  
**29 September 2016**



## STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRSSE *The Financial Reporting Standard for Smaller Entities applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March

2014/15 £'000		2015/16 £'000	Notes
	<b>Income from:</b>		
58	Donations and legacies	105	1
60	Investments	54	2
225	Charitable activities	237	
324	Other: donations	570	5
<b>667</b>	<b>Total Income</b>	<b>966</b>	
	<b>Expenditure on:</b>		
(460)	Raising funds	(396)	3
(85)	Charitable activities	(89)	3
(48)	Other: governance costs	(48)	3&4
<b>(593)</b>	<b>Total Expenditure</b>	<b>(533)</b>	
<b>74</b>	<b>Net Income</b>	<b>433</b>	
	<b>Other Recognised Gains / (Losses)</b>		
3,497	Gains on revaluation of fixed assets	103	5
79	(Losses) / gains on investment assets - unrealised	(33)	7
<b>3,650</b>	<b>Net Movement in Funds</b>	<b>503</b>	
	<b>Reconciliation of Funds</b>		
9,742	Total funds brought forward	13,392	
<b>13,392</b>	<b>Total Funds Carried Forward</b>	<b>13,895</b>	

## BALANCE SHEET as at 31 March 2016

as at 31 March 2015			as at 31 March 2016		Notes
£'000	£'000		£'000	£'000	
		<b>Long Term Assets</b>			
10,622		Tangible assets	11,022		5
2,350		Investments	2,361		6
77		Long term loan to third party	60		
	<b>13,049</b>	<b>Total Long Term Assets</b>		<b>13,443</b>	
		<b>Current Assets</b>			
20		Debtors	21		
389		Short term investment in SBC loans fund	476		
	<b>409</b>	<b>Total Current Assets</b>		<b>497</b>	
		<b>Current Liabilities</b>			
	(66)	Creditors: Amounts falling due within 1 year		(45)	
	<b>343</b>	<b>Net Current Assets</b>		<b>452</b>	
	<b>13,392</b>	<b>Total Net Assets</b>		<b>13,895</b>	
		<b>The Funds of the Charity</b>			
	(2,962)	Restricted income funds		(3,353)	7
	(10,430)	Revaluation reserve		(10,542)	
	<b>(13,392)</b>	<b>Total Charity Funds</b>		<b>(13,895)</b>	

All of the charity's activities are continuing.

The Accounting Policies on pages 12 and 13 and the Notes on pages 14 to 16 form part of these Financial Statements.

The unaudited accounts were issued on 30 June 2016 and the audited accounts were authorised for issue on 29 September 2016.

**David Robertson CPFA**  
Chief Financial Officer  
29 September 2016

## ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

### Basis of Preparation and Assessment of Going Concern

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller entities (FRSSE), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

### Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

### Income Recognition

Under FRSSE, income is recognised when it is receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

## Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

## Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

## Tangible Fixed Assets and Depreciation

Tangible fixed assets, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land is held at current valuation and is not depreciated. All tangible fixed assets are subject to revaluation every five years, with the last revaluation being undertaken in 2014/15. Depreciation is charged on all tangible fixed assets other than land at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

## Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchases in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

## Cash and Short Term Investments

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Donations and Legacies

2014/15 £000		2015/16 £'000
1	Duns	1
6	Galashiels	4
30	Hawick	16
0	Innerleithen	0
1	Jedburgh	14
1	Kelso	1
6	Lauder	56
3	Peebles	8
10	Selkirk	5
<b>58</b>		<b>105</b>

### 2 Income from Investments

2014/15 £000		2015/16 £'000
3	Bank Interest Receivable from SBC Loans Fund	3
57	Income from Investment Portfolio	51
<b>60</b>		<b>54</b>

### 3 Analysis of Charitable Expenditure

2014/15 Total £'000		Activities Undertaken Directly £'000	Support and Governance Costs £'000	Property Cost & Depreciation £'000	2015/16 Total £'000
26	Duns	0	2	2	4
14	Galashiels	1	2	36	39
198	Hawick	17	11	114	142
0	Innerleithen	0	0	17	17
49	Jedburgh	11	4	12	27
45	Kelso	8	1	43	52
33	Lauder	0	10	21	31
87	Peebles	37	8	52	97
141	Selkirk	15	10	99	124
<b>593</b>		<b>89</b>	<b>48</b>	<b>396</b>	<b>533</b>

## 4 Governance Costs

Governance costs are comprised of a recharge from SBC and reflect the cost of the proportionate administration, finance, and legal time spent on Common Good funds.

## 5 Long Term Assets

The change in the value of Long term assets has been driven by the following movements:

As at 31 March 2015		as at 31 March 2016			
Total		Donated Property	Revaluation	Depreciation	Total
£'000		£'000	£'000	£'000	£'000
3	Duns	0	0	0	3
313	Galashiels	245	103	(36)	625
3,678	Hawick	0	0	(40)	3,638
0	Innerleithen	325	0	(17)	307
488	Jedburgh	0	0	(12)	476
883	Kelso	0	0	(43)	840
1,028	Lauder	0	0	(11)	1,017
916	Peebles	0	0	(37)	879
3,313	Selkirk	0	0	(76)	3,237
<b>10,622</b>		<b>570</b>	<b>103</b>	<b>(272)</b>	<b>11,022</b>

The Donated Property is primarily related to the reclassification of Council assets to the Common Good, specifically the Innerleithen Memorial Hall and Old Gala House following investigative work undertaken and approved during 2015/16, as follows:

	From SBC Capital	From SBC Revaluation	Total
	£'000	£'000	£'000
Galashiels – Old Gala House	154	92	245
Innerleithen – Memorial Hall	134	189	324
	<b>288</b>	<b>281</b>	<b>570</b>

Each element of the total has been allocated to the Galashiels and Innerleithen capital and revaluation reserves accordingly.

Long term assets are broken down between Land & buildings and Heritage assets as follows:

As at 31 March 2015		as at 31 March 2016		
Total		Land & Buildings at Net Book Value	Heritage Assets	Total
£'000		£'000	£'000	£'000
3	Duns	3	0	3
313	Galashiels	625	0	625
3,678	Hawick	3,635	3	3,638
0	Innerleithen	307	0	307
488	Jedburgh	477	0	477
883	Kelso	822	19	841
1,028	Lauder	1,016	0	1,016
916	Peebles	876	2	878
3,313	Selkirk	3,235	2	3,237
<b>10,622</b>		<b>10,996</b>	<b>26</b>	<b>11,022</b>

## 6 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2016 all investments were with the Newton Real Return Fund.

## 7 Restricted Income Funds

Balance at 31 March 2015 £'000		Unrealised movement on investment assets	Other income – donations	SOFA Surplus	Balance at 31 March 2016 £'000
22	Duns	0		(2)	20
31	Galashiels	0	154	2	186
614	Hawick	(6)		27	635
0	Innerleithen	0	134	0	135
1,039	Jedburgh	(14)		22	1,047
298	Kelso	(4)		(3)	291
243	Lauder	(2)		50	291
493	Peebles	(6)		10	497
222	Selkirk	(2)		31	251
<b>2,962</b>		<b>(33)</b>	<b>288</b>	<b>137</b>	<b>3,353</b>

Note: The total donated property of £288k above represents the capital transfer of Old Gala House and Innerleithen Memorial Hall per note 5.

## 8 Contingent Assets

The charity granted a secured grant to Jedburgh Golf Club in 2004 to purchase land. The grant is to be written down over 20 years. If during this period the land is sold the balance of the remaining funds are to be returned to the charity.



## **INDEPENDENT AUDITOR'S REPORT**

### **to the trustees of Scottish Borders Council Common Good Funds and**

We certify that we have audited the financial statements of Scottish Borders Council Common Good Funds for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise of the statement of the financial activities, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standard (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2016 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

## Opinion on other prescribed matter

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Hugh Harvie, for and on behalf of KPMG LLP**

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

29 September 2016

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

## ADDITIONAL INFORMATION

### Contact Details

For further information on the Common Good Funds, please contact:

Lynn Mirley	Telephone: 01835 – 825016
Corporate Finance Manager	E-mail: <a href="mailto:lmirley@scotborders.gov.uk">lmirley@scotborders.gov.uk</a>
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA



You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance, Council Headquarters, Newtown St Boswells Melrose TD6 0SA  
Tel: 01835 825019 Fax: 01835 825011 or email: [lmirley@scotborders.gov.uk](mailto:lmirley@scotborders.gov.uk)