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## **MONITORING REPORT FOR 6 MONTHS TO 30 SEPTEMBER 2016**

**Report by the Chief Financial Officer**

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### **GALASHIELS COMMON GOOD SUB-COMMITTEE**

**8 December 2016**

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

- 1.1 This report provides the details of the income and expenditure for the Galashiels Common Good Fund for the six months to 30 September 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 £55 for the year.
- 1.3 Appendix 2 provides a projected Balance Sheet as at 31 March 2017. It shows a projected decrease in the Revaluation reserves of £36,247 due mainly to the projected depreciation charge.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing projected rental income for 2016/17 and actual property expenditure to 30 September 2016.
- 1.5 Appendix 4 shows the value of the Newton Fund to 30 September 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 September 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 deficit of £55.

#### 4.2 **Income & Expenditure – Rental Income**

There is no rental income from 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%.

4.4 Distributions are made twice a year in September and February from Newton Fund Investments. The first of two annual Dividends (£393) was received in October 2016, therefore not shown in the actuals in Appendix 1. 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 An amount of £3,000 has also been projected for income received from donations from other Ladhope Estate and Ex Provost Mercer Bequest.

#### 4.6 **Income & Expenditure – Property Expenditure**

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

#### 4.7 **Income & Expenditure – Grants & Other Donations**

There are currently no requests for financial assistance from the Galashiels Common Good Fund.

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
<b>Approved and Paid to 30 September 2016</b>		
-		0
<b>Total Paid to 30 September 2016</b>		<b>0</b>
<b>Approved but not yet paid</b>		
-		0
<b>Total Grants Approved</b>		<b>0</b>
<b>Budget 2016/17</b>		<b>2,000</b>
<b>Unallocated/(Overallocated) Budget</b>		<b>2,000</b>

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

The depreciation charge is projected to be £36,192. 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.

4.9 Appendix 2 provides the balance sheet value to 31 March 2016, the projected movement in year and a projected balance as at 31 March 2017.

#### 4.10 **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 31 March 2015. 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.

#### 4.11 **Balance Sheet – Newton Investment**

- (a) Over the quarter to 30 September 2016 the Fund again delivered a positive absolute return and although being behind its Benchmark figure for the Quarter remains well ahead for the year to date. The Fund has delivered a significant proportion of global-equity performance (in Sterling terms) since the start of the year, while managing to exhibit reduced levels of volatility and demonstrating an impressive ability to preserve capital.
- (b) These returns have been realised despite significant economic uncertainty in the UK as a result of the EU Referendum vote and global geopolitical uncertainties surrounding the US presidential election. Significant returns were made in equity markets (amplified for UK based investors by further weakening of the pound which dropped to a 30 year low against the US dollar). Strong performance by government bond exposures as well as higher yields in corporate bond holdings have also contributed to the returns made by the Fund in the quarter.
- (c) The Funds strategy is to provide an absolute return with an acceptable level of volatility by promoting capital preservation over the pursuit of short-term gains. To this end in times of economic uncertainty the Fund remains cautiously positioned.

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

The cash held by the fund is projected to be £6,478, an in-year projected decrease of £55. 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>6,533</b>
Projected Surplus/(Deficit) for year from Income & Expenditure Statement	(55)
<b>Projected Closing Balance at 31 March 2017</b>	<b>6,478</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.

**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 are currently being consulted and their comments will be incorporated into the final report.

**Approved by**

**David Robertson**  
**Chief Financial Officer**

**Signature .....**

**Author(s)**

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**Background Papers:**

**Previous Minute Reference:** Galashiels Common Good Committee 8 September 2016

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## GALASHIELS COMMON GOOD FUND

## INCOME AND EXPENDITURE 2016/17

	Actuals at 30/09/16	Full Year Approved Budget 2016/17	Full Year Projected Out-turn	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 on Cash deposited with Council	0	(28)	(28)	0	4.3	
Newton Fund Investment – Dividends Rec'd	0	(517)	(517)	0	4.4	
Other Income	0	(3,000)	(3,000)	0	4.5	
<b>Total Income</b>	<b>0</b>	<b>(3,545)</b>	<b>(3,545)</b>	<b>0</b>		
<b>Property Expenditure</b>						
Property Costs – General	0	1,000	1,000	0	4.6	
<b>Total Property Expenditure</b>	<b>0</b>	<b>1,000</b>	<b>1,000</b>	<b>0</b>		
<b>Grants &amp; Other Donations</b>	<b>0</b>	<b>2,000</b>	<b>2,000</b>	<b>0</b>	4.7	
<b>Running Costs</b>						
Central Support Service Charge	1,922	1,922	1,922	0		
SBC Grant towards Service Charge	(1,322)	(1,322)	(1,322)	0		
<b>Net Running Costs</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>0</b>		
<b>Depreciation</b>						
Depreciation Charge	0	36,192	36,192	0	4.8	
Contribution from Revaluation Reserve	0	(36,192)	(36,192)	0	4.8	
<b>Net impact of Depreciation on Revenue Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Total Net (Surplus)/Deficit for year</b>	<b>600</b>	<b>55</b>	<b>55</b>	<b>0</b>		

## GALASHIELS 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	624,558	(36,192)	588,366
Heritable Assets	0	0	0
<b>Total Fixed Assets</b>	<b>624,558</b>	<b>(36,192)</b>	<b>588,366</b>
<b>Capital in Newton Investment Fund</b>			
Investment in Newton Fund	25,476	0	25,476
Unrealised Gains/(Loss)	390	0	390
<b>Market Value</b>	<b>25,866</b>	<b>0</b>	<b>25,866</b>
<b>Current Assets</b>			
Debtors	0	0	0
Cash deposited with SBC	6,533	(55)	6,478
	<b>6,533</b>	<b>(55)</b>	<b>6,478</b>
<b>Current Liabilities</b>			
Creditors	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>656,956</b>	<b>(36,247)</b>	<b>620,710</b>
<b>Funded by:</b>			
<b>Reserves</b>			
Revenue Reserve	(6,533)	55	(6,478)
Capital Reserve	(179,190)	0	(179,190)
Revaluation Reserve	(471,233)	36,192	(435,041)
<b>Total Reserves</b>	<b>(656,956)</b>	<b>36,247</b>	<b>(620,710)</b>

## GALASHIELS COMMON GOOD FUND

PROPERTY PORTFOLIO PERFORMANCE FOR 2016/17  
(Actual Income and Expenditure to 30 September 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 30/09/16				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
Bank Street Gardens	0	0	0	0	0	0	0	0	0
Ladhope Drive Car Park	0	0	0	0	0	0	0	0	0
Ladhope Golf Course	110,000	0	110,000	0	0	0	0	0	0
Ladhope Woodland	6,250	0	6,250	0	0	0	0	0	0
Ladhope Glen Park	0	0	0	0	0	0	0	0	0
Ladhope Recreation Ground	0	0	0	0	0	0	0	0	0
Old Gala House	508,309	36,192	472,117	0	0	0	0	0	0
Mercat Cross	0	0	0	0	0	0	0	0	0
Sir Walter Scott Statue	0	0	0	0	0	0	0	0	0
Old Town Cemetery	0	0	0	0	0	0	0	0	0
Amenity Ground at Haliburton Pl	0	0	0	0	0	0	0	0	0
Leabrae Playground	0	0	0	0	0	0	0	0	0
Sml area of Netherdale Play Field	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	0	0	0	0	0	0
<b>Total</b>	<b>624,559</b>	<b>36,192</b>	<b>588,367</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## GALASHIELS COMMON GOOD FUND

## INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
5 September 2014	10,411	20,000
Contribution from SBC compensation for late investment	248	476
7 December 2015	2,636	5,000
<b>Total Invested to 30 September 2016</b>	<b>13,295</b>	<b>25,476</b>

Value of Investment	£
31 March 2016	25,866
30 June 2016	26,941
30 September 2016	26,918
31 December 2016	
31 March 2017	
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>1,442</b>

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

