
Monitoring Report for 3 Months to 30 June 2017

Report by the Chief Financial Officer

LAUDER COMMON GOOD SUB-COMMITTEE

21 September 2017

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Lauder Common Good Fund for the three months to 30 June 2017 and full year projected out-turn for 2017/18 and projected balance sheet values as at 31 March 2018.**
- 1.2 Appendix 1 provides a projected income and expenditure position. This shows a projected deficit of £3,355 for the year.
- 1.3 Appendix 2 provides a projected balance sheet as at 31 March 2018. It shows a projected decrease in the reserves of £14,848.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing actual property expenditure to 30 June 2017.
- 1.5 Appendix 4 shows the value of the Newton Fund to 30 June 2017.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Sub Committee:**
 - (a) Agrees the projected income and expenditure for 2017/18 in Appendix 1 as the revised budget for 2017/18;**
 - (b) Notes the projected balance sheet value as at 31 March 2018 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 2017 and projections to 31 March 2018. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2018.

4 FINANCIAL POSITION 2017/18

4.1 Appendix 1 provides detail on income and expenditure for the 2017/18 financial year. The projected net position for the year is a deficit of £3,355.

4.2 **Income & Expenditure – Rental Income**

Rental income for 2017/18 is shown on 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 0.30%.

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 2017/18 is based on a distribution of 2.4% which will be subject to the overall performance of the fund.

4.5 **Income & Expenditure – Property Expenditure**

The property expenditure to 30 June 2017 is detailed in Appendix 3 by property.

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

The grants and other donations distributed and committed to 30 June 2017 are shown below. At a meeting of the Common Good Sub-Committee on 20 June 2017 it was agreed to award a grant to the Lauder Golf Club as detailed below, therefore it is proposed to increase the 2017/18 budget by £5,000 from £1,300 to £6,300.

Grant Recipients	Approved	£
Approved and Paid to 30 June 2017		
Lauder Golf Club – Ride-on Mower	20/06/17	5,000
Total Paid to 30 June 2017		5,000
Approved but not yet paid		
-		0
Total Grants Approved		5,000
Approved Budget 2017/18		1,300
Unallocated/(Overallocated) Budget		(3,700)

4.7 **Income & Expenditure – Depreciation Charge**

The depreciation charge is projected to be £11,493. 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 2017, the projected movement in year and a projected balance at 31 March 2018.

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 2017, projected depreciation charges 2017/18 and projected value at 31 March 2018.

4.10 **Balance Sheet – Newton Investment**

(a) The Newton Real Return Fund (Newton Fund) delivered a positive return of 1.2% in the quarter to 20 June 2017, in line with its benchmark of 1.1%. This was the Fund's second consecutive return in excess of benchmark since the previously reported under-performance in the second half of 2016.

(b) However, as reported at the end of 2016/17, KPMG were commissioned to evaluate the Newton Fund in terms of its continued suitability for Common Good and Trust Fund investments. KPMG have conducted this assessment and have indicated there are more attractive options available within the market which would provide improved performance.

(c) A further report will be produced and presented to full Council to seek approval to undertake a procurement exercise in line with the previously approved Scottish Borders Council Common Good and Trusts Investment Strategy.

4.11 **Balance Sheet – Long Term Debtors**

Long Term Debtors are projected to reduce by £2,904 as detailed in 4.12 leaving a projected year-end balance of £5,809

4.12 **Balance Sheet – Cash Balance**

The cash held by the fund is projected to be £20,814 at 31 March 2018 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2017	21,265
<i>Repayment of Principal (Long Term Debtors)</i>	
Lauder Golf Club Loan	2,904
Projected Surplus/(Deficit) for year from Income & Expenditure Statement	(3,355)
Projected Closing Balance at 31 March 2018	20,814

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

In addition to the financial implications explained above in Section 4, costs may be incurred for the procurement of a new Investment Fund Manager.

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, Service Director 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: Lauder Common Good Committee 20 June 2017

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LAUDER COMMON GOOD FUND

INCOME AND EXPENDITURE 2017/18

	Actuals at 30/06/17	Full Year Approved Budget 2017/18	Full Year Projected Out-turn 2017/18	Full Year Projected Over/ (Under) Spend £	Para Ref	Commentary
	£	£	£	£		
Property Income						
Rentals Receivable	(2,355)	(10,915)	(10,915)	0	4.2	
Non-Property Related Income						
Interest on Cash deposited with Council	0	(68)	(68)	0	4.3	
Newton Fund Investment – Dividends Rec'd	0	(6,193)	(6,193)	0	4.4	
Other Income	0	0	0	0		
Total Income	(2,355)	(17,176)	(17,176)	0		
Property Expenditure						
Property Costs – General	(153)	10,000	10,000	0	4.5	Timing of year-end invoice
Total Property Expenditure	(153)	10,000	10,000	0		
Grants & Other Donations	5,000	1,300	6,300	5,000		
Running Costs						
Central Support Service Charge	0	9,762	9,762	0		
SBC Grant towards Service Charge	0	(5,531)	(5,531)	0		
Net Running Costs	0	4,231	4,231	0		
Depreciation						
Depreciation Charge	0	11,493	11,493	0	4.7	
Contribution from Revaluation Reserve	0	(11,493)	(11,493)	0	4.7	
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	2,492	(1,645)	3,355	5,000		

LAUDER COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AS AT 31 March 2018

	Opening Balance at 01/04/17 £	Projected Movement in Year £	Projected Balance at 31/03/18 £
Fixed Assets			
Land & Buildings	1,004,621	(11,493)	993,128
Heritable Assets	0	0	0
Total Fixed Assets	1,004,621	(11,493)	993,128
Capital in Newton Investment Fund			
Investment in Newton Fund	250,000	0	250,000
Unrealised Gains/(Loss)	8,038	0	8,038
Market Value	258,038	0	258,038
Long Term Debtors			
Loan to Lauder Golf Club	8,713	(2,904)	5,809
Current Assets			
Debtors	7,407	0	7,407
Cash deposited with SBC	21,265	(451)	20,814
	28,672	(451)	28,220
Current Liabilities			
Creditors	0	0	0
Receipts in Advance	(591)	0	(591)
	(591)	0	(591)
Net Assets	1,299,453	(14,848)	1,284,605
Funded by:			
Reserves			
Revenue Reserve	(31,793)	3,355	(28,437)
Capital Reserve	(264,688)	0	(264,688)
Revaluation Reserve	(1,002,971)	11,493	(991,478)
Total Reserves	(1,299,453)	14,848	(1,284,605)

LAUDER COMMON GOOD FUND

PROPERTY PORTFOLIO PERFORMANCE FOR 2017/18
(Actual Income and Expenditure to 30 June 2017)

Fixed Assets – Land & Buildings	Net Book Value at 31/03/17 £	Projected Depn Charge 2017/18 £	Projected Net Book Value at 31/03/18 £	Projected Rental Income 2017/18 £	Actual Property Expenditure at 30/06/17				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
Lauder Cemetery	0	0	0	0	0	0	0	0	0
Croft Road Play Area (East Side)	0	0	0	0	0	0	0	0	0
Lauder War Memorial	0	0	0	0	0	0	0	0	0
Old Castleriggs Grazings	7,000	0	7,000	260	0	0	0	0	0
Raiths Acre & Chesters Acre	12,000	0	12,000	235	0	0	0	0	0
Lauder Golf Course	72,500	0	72,500	0	0	0	0	0	0
Lauder Town Hall	51,330	6,890	44,440	0	0	(153)	0	0	(153)
Lauder Common Farm	799,171	1,943	797,228	8,800	0	0	0	0	0
Lauder Common Farm Shootings	12,000	0	12,000	1,200	0	0	0	0	0
Lauder Common Plantations	5,000	0	5,000	0	0	0	0	0	0
Land Refuse Tip (1) Grazings	1,500	0	1,500	105	0	0	0	0	0
Land Refuse Tip (2) Grazings	1,500	0	1,500	105	0	0	0	0	0
Calfward park Grazings	6,500	0	6,500	210	0	0	0	0	0
Burnmill Woodland	0	0	0	0	0	0	0	0	0
Lauder Library (Old Jail)	21,520	2,660	18,860	0	0	0	0	0	0
Old Castleriggs Recreation Grnd	0	0	0	0	0	0	0	0	0
Land at Lauder Village Hall	11,500	0	11,500	0	0	0	0	0	0
Land at Lauder Public Toilets	600	0	600	0	0	0	0	0	0
Pavilion Site	2,500	0	2,500	0	0	0	0	0	0
Lauder Play Park	0	0	0	0	0	0	0	0	0
Lauder Recreation Park	0	0	0	0	0	0	0	0	0
Property Expenditure (Summary)	-	-	-	-	0	0	0	0	0
Total	1,004,621	11,493	993,128	10,915	0	(153)	0	0	(153)

Fixed Assets – Moveable Assets
Charter
Snuff Mull
Certificate of Matriculation, Royal Burgh of Lauder 1938
Burgess Roll (2)
Map of Burges Acres, Royal Burgh of Lauder 1803
Set of Imperial Weight and Measures
Brass Yard Stick 1824
Burgh of Lauder Seal
Provosts Chain
Provosts Robes
Silver Punch Ladle o/w Toddy Ladle 1831
Total

LAUDER COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
Initial Investment - 13 December 2013	104,295	195,000
Further 2013-14 Investments	2,530	5,000
Further 2015-16 Investments	21,041	40,000
Further 2016-17 Investments	5,290	10,000
Total Invested to 30 June 2017	133,156	250,000

Value of Investment	£
31 March 2017	248,812
30 June 2017	260,942
30 September 2017	
31 December 2017	
31 March 2018	
Increase/(Decrease) from Total Cash Invested	10,942