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## **Monitoring Report for 12 Months to 31 March 2015**

**Report by the Chief Financial Officer**

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### **Hawick Common Good Sub Committee**

**26 May 2015**

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

- 1.1 This report provides the year end out-turn for the Hawick Common Good Fund for the year 2014/15 including balance sheet values at 31 March 2015 and proposed budget for 2015/16**
- 1.2 Appendix 1 provides the actual income and expenditure for 2014/15. This shows a surplus of £6,172 for 2014/15 and projected deficit of £40,305 for 2015/16.
- 1.3 Appendix 2 provides the balance sheet value to 31 March 2015. This shows an increase in Reserves of £1,165,115, due to the revaluation of properties and the unrealised gain of the Newton Fund investment.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing actual income and expenditure and effect of revaluation.
- 1.5 Appendix 4 shows the value of the Newton Fund to 31 March 2015.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Common Good Sub Committee:**
  - (a) Notes actual income and expenditure position for 2014/15 in Appendix 1.**
  - (b) Agrees the proposed budget for 2015/16 as shown in Appendix 1.**
  - (c) Notes the final balance sheet value to 31 March 2015 in Appendix 2.**
  - (d) Notes the summary of the property portfolio in Appendix 3.**
  - (e) 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 31 March 2015 and proposed budgets for 2015/16. The report also contains a projected balance for the Common Good Fund to 31 March 2016.

### **4 FINANCIAL POSITION 2014/15**

- 4.1 Appendix 1 details on income and expenditure for the 2014/15 financial year and the proposed budget for 2015/16.

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

Rental income for 2014/15 is shown on Appendices 1 & 3, with Appendix 3 detailing the annual rental income by individual property. The variance of £609 reflects an increase in rent for St Leonards Farm off set slightly by the rental from Spooks Erections being less than budgeted. The proposed budget has been reduced to reflect the uncertainty around the Common Haugh Market. This will be reviewed once a new tenancy is awarded.

#### **4.3 Income & Expenditure – Non-Property Related Income**

The final out-turn includes the interest received on cash deposited with the Council. The annual rate of interest applied to the cash deposits is 0.4%.

- 4.4 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February. Dividends of £9,528 were received in total to 31 March 2015, a distribution of 2.6%. This shows an increase of £1,178 on the projected annual budget income of £8,350. The proposed budget for 2015/16 is based on a distribution of 2.5%, which will be subject to the overall performance of the fund.

- 4.5 A Donation of £30k was received from the Community Council to pay for the Williestruther Path upgrade. The income has been matched to the works which will be completed in 2015/16.

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

(a) The final out-turn shows a variance of £26,590. £21,300 due to the work completed at Williestruther Path offset by the income received from the Community Council above and £4,000 for Drainage work completed earlier than expected at Pilmuir.

(b) The proposed Budget for 2015/16 includes £71,000 to complete silage pit work at Pilmuir, £8,700 for Williestruther Path, offset by balance of income received from Community Council in 2014/15 and £6,480 for the Rates bill for Common Haugh which was previously paid for by Spook Erections. A new tenant is currently being sought for the site and it is hoped that a replacement will be in place shortly.

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

The grants and other donations distributed to 31 March 2015 are shown below. There are currently no other outstanding commitments.

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
Ancient Order of Mosstroopers – “Horse”	20/09/11	1,500
Land of Reivers – Printing Costs	19/08/14	1,500
Hawick Town Hall Carol Service – Salvation Army	18/11/14	197
Interest Link Borders	17/02/15	2,000
Hawick Reivers’ Association	17/02/15	2,000
Hawick Welcome Initiative	25/03/15	2,500
Heart of Hawick Children’s Book Award	25/03/15	2,000
<b>Total Paid to 31 March 2015</b>		<b>11,697</b>
<b>2014/15 Budget</b>		<b>20,000</b>
<b>Variance</b>		<b>8,303</b>

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

The final out-turn shows an increase of £32,539. This is due to effect of the revaluation of the properties at 1 April 2014. This is not a cash transaction.

4.9 Appendix 2 provides the balance sheet value to 31 March 2015 and the projected balance at 31 March 2016.

#### 4.10 **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 resulting in an increase of £1,214,295. Appendix 3 shows the difference in value from 31 March 2014 and 1 April 2014 for the individual properties.

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

The final out-turn shows a market value of £377,491, including an unrealised gain of £18,320. Appendix 4 shows the performance of the fund since inception

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

The cash held by the fund at 31 March 2015 is £134,403, an in year net reduction of £24,863. The actual cash movement for 2014/15 is as follows:

<b>Cash Balance at 31 March 2015</b>	<b>£</b>
Opening Balance at 1 April 2014	162,705
Surplus for year from Income & Expenditure Statement	6,172
Net cash movement in Debtors/Creditors	(34,474)
<b>Closing Balance at 31 March 2015</b>	<b>134,403</b>

#### 4.13 **Balance Sheet – Capital Reserve**

The Capital Reserves include the unrealised profits for the Newton Fund as at 31 March 2015.

## 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 Service Director Strategy and Policy, 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)**

**Background Papers:**

**Previous Minute Reference:**

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## HAWICK COMMON GOOD FUND

## INCOME AND EXPENDITURE 2014/15

	Actuals to 31/03/15 £	Approved 2014/15 Budget £	Over/ (Under) Spend £	Proposed 2015/16 Budget £	Para Ref	Commentary
<b>Property Income</b>						
Rentals Receivable	(95,024)	(94,415)	(609)	(94,690)		
<b>Non-Property Related Income</b>						
Interest on Cash deposited with Council	(290)	(600)	310	(300)		Calculated at 0.4%
Newton Fund Investment – Dividends Rec'd	(9,528)	(8,350)	(1,178)	(8,979)	4.4	
Other Income	(23,882)	(243)	(23,668)	(8,700)	4.5	Contribution from CC
<b>Total Income</b>	<b>(128,724)</b>	<b>(103,608)</b>	<b>(25,145)</b>	<b>(112,669)</b>		
<b>Property Expenditure</b>						
Property Costs – General	104,682	78,000	26,682	56,180	4.6	Williestruther Path & Pilmuir Silage Pit & Common Haugh Rates
Property Renovation - Pilmuir Farm	1,008	1,100	(92)	71,000	4.6	
<b>Total Property Expenditure</b>	<b>105,690</b>	<b>79,100</b>	<b>26,590</b>	<b>127,180</b>		
<b>Grants &amp; Other Donations</b>	<b>11,697</b>	<b>20,000</b>	<b>(8,303)</b>	<b>20,000</b>	4.7	-
<b>Running Costs</b>						
Central Support Service Charge	10,841	10,841	0	10,841		-
SBC Grant towards Service Charge	(5,676)	(5,676)	0	(5,676)		-
<b>Net Running Costs</b>	<b>5,165</b>	<b>5,165</b>	<b>0</b>	<b>5,165</b>		
<b>Depreciation</b>						
Depreciation Charge	68,391	35,852	32,539	68,391		Actual based on revalued Valuation
Contribution from Revaluation Reserve	(68,391)	(35,852)	(32,539)	(68,391)		
<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>(6,172)</b>	<b>657</b>	<b>(6,857)</b>	<b>40,305</b>		

## HAWICK COMMON GOOD FUND

## BALANCE SHEET VALUE AS AT 31 MARCH 2015

	Opening Balance at 31/03/14 £	Movement £	Closing Balance at 31/03/15 £	Projected Balance at 31/03/16 £
<b>Fixed Assets</b>				
Land & Buildings <sup>1</sup>	2,528,957	1,145,922	3,674,877	3,606,486
Heritable Assets	3,000	0	3,000	3,000
<b>Total Fixed Assets</b>	<b>2,531,957</b>	<b>1,145,922</b>	<b>3,677,877</b>	<b>3,609,486</b>
<b>Capital in Newton Investment Fund</b>				
Investment in Newton Fund	359,171	0	359,171	359,171
Unrealised Gains/(Loss)	5,300	13,020	18,320	18,320
<b>Market Value<sup>2</sup></b>	<b>364,471</b>	<b>13,020</b>	<b>377,491</b>	<b>377,491</b>
<b>Current Assets</b>				
Debtors	420	6,393	6,812	<b>6,812</b>
Cash deposited with SBC	162,705	(28,301)	134,404	<b>94,099</b>
<b>Total Current Assets</b>	<b>163,124</b>	<b>(21,908)</b>	<b>141,216</b>	<b>100,911</b>
<b>Current Liabilities</b>				
Creditors	(6,448)	(15,024)	(21,472)	<b>(21,472)</b>
Receipts in Advance	(62,302)	43,104	(19,197)	<b>(19,197)</b>
<b>Total Current Liabilities</b>	<b>(68,750)</b>	<b>28,081</b>	<b>(40,668)</b>	<b>(40,668)</b>
<b>Net Assets</b>	<b>2,990,802</b>	<b>1,615,115</b>	<b>4,155,916</b>	<b>4,047,220</b>
<b>Funded by: Reserves</b>				
Revenue Reserve <sup>3</sup>	(94,376)	(6,172)	(100,547)	(60,242)
Capital Reserve <sup>3</sup>	(500,304)	(13,022)	(513,326)	(513,326)
Revaluation Reserve	(2,396,122)	(1,145,921)	(3,542,043)	(3,473,652)
<b>Total Reserves</b>	<b>(2,990,802)</b>	<b>(1,165,115)</b>	<b>(4,155,916)</b>	<b>(4,047,220)</b>

<sup>1</sup> Book Value of Land & Buildings as at 31 March 2014 broken down on Appendix 3

<sup>2</sup> The Dividend Income on the Newton Fund is reflected in the Income and Expenditure Statement on Appendix 1

<sup>3</sup> Opening Capital and Revenue Reserve Balances have been aligned to net asset values

## HAWICK COMMON GOOD FUND

**PROPERTY PORTFOLIO PERFORMANCE FOR 2014/15**  
**(Actual Income and Expenditure to 31 March 2015)**

Fixed Assets	Book Value at 31/03/14 Pre- revaluation £	Book Value at 01/04/14 Post- revaluation £	Diff in Value Incr/ (Decr) £	Actual Rental Income 2014/15 £	Actual Property Expenditure 2014/15				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
<b>General</b>									
Hawick Moor Racecourse & Build's	28,542	35,000	6,458	700	31,450	-	-	-	31,450
Mill Path Stables	15,333	22,500	7,167	-	-	-	-	-	-
Common Riding	-	-	-	-	-	-	-	-	-
Common Haugh	328,000	82,000	(246,000)	7,936	-	-	-	-	-
Hawick Golf Course & Sub Station	86,500	73,750	(12,750)	-	3,175	-	-	-	3,175
Haggis Ha/Burnflat Wall	-	-	-	-	1,118	-	-	-	1,118
Hawick Moor Shootings	3,000	4,000	1,000	207	-	-	-	-	-
Lothian St Stores	15,975	18,000	2,025	2,552	-	-	-	-	-
Nipknowes (Woodend Graz-East)	-	1,000	1,000	80	-	-	-	-	-
Nipknowes (Woodend Graz-West)	1,700	1,500	(200)	75	-	-	-	-	-
Williestruther Cottage	106,500	180,000	73,500	4,756	-	-	-	-	-
Williestruther Loch	4,500	4,500	0	375	1,379	-	-	-	1,379
Under Haugh, Hawick	-	-	-	-	-	-	-	-	-
Volunteer Park & Stand	247,500	340,000	92,500	1,732	-	-	-	-	-
Moat Park & Playground	-	-	-	-	-	-	-	-	-
Hawick Burgh Woodland	73,000	99,000	26,000	-	-	-	-	-	-
Acreknowe Reservoir	-	-	-	-	-	-	-	-	-
Ca'knowe Monument/Footpath	-	-	-	-	646	-	-	-	646
Williestruther Path	-	-	-	-	21,300	-	-	-	21,300
100 Stairs and Adjacent Land	-	-	-	-	-	-	-	-	-
Feu Duties	18	-	(18)	-	-	-	-	-	-
Property Expenditure (General)	-	-	-	-	3,864	1,523	1,642	8,923	15,952
<b>General Sub Total</b>	<b>910,568</b>	<b>861,250</b>	<b>(49,318)</b>	<b>18,413</b>	<b>62,932</b>	<b>1,523</b>	<b>1,642</b>	<b>8,923</b>	<b>75,020</b>



Fixed Assets	Book Value at 31/03/14 Pre-valuation £	Book Value at 01/04/14 Post-valuation £	Diff in Value Incr/ (Decr) £	Actual Rental Income 2014/15 £	Actual Property Expenditure 2014/15				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
<b>Pilmuir</b>									
Pilmuir Farm & Farmhouse	1,043,625	1,800,000	756,375	45,303	14,570	-	-	-	14,570
Pilmuir Farm Cottages	53,000	160,000	107,000	7,200	2,291	-	-	-	2,291
Pilmuir Farm Shed & Silage Pit	-	-	-	-	4,666	-	-	1,008	5,674
Pilmuir Farm Shootings	-	-	-	-	-	-	-	-	-
Property Expenditure (General)	-	-	-	-	1,747	-	1,191	576	3,514
<b>Pilmuir Sub Total</b>	<b>1,096,625</b>	<b>1,960,000</b>	<b>863,375</b>	<b>52,503</b>	<b>23,274</b>	<b>0</b>	<b>1,191</b>	<b>1,584</b>	<b>26,049</b>
<b>St Leonards</b>									
St Leonards Horse Gallop	10,000	17,000	7,000	600	-	-	-	-	-
St Leonards Cottage & Park	113,812	215,000	101,188	5,390	-	-	-	-	-
St Leonards Farmhouse & Bldngs	195,100	256,000	60,900	9,582	-	-	-	-	-
St Leonards Grazings	200,000	402,000	202,000	8,536	-	-	-	-	-
St Leonards Hut	2,850	32,000	29,150	-	-	-	-	-	-
Property Expenditure (General)	-	-	-	-	4,074	-	547	-	4,621
<b>St Leonards Sub Total</b>	<b>521,762</b>	<b>922,000</b>	<b>400,238</b>	<b>24,108</b>	<b>4,074</b>	<b>0</b>	<b>547</b>	<b>-</b>	<b>4,621</b>
<b>Total</b>	<b>2,528,955</b>	<b>3,743,250</b>	<b>1,214,295</b>	<b>95,024</b>	<b>90,280</b>	<b>1,523</b>	<b>3,380</b>	<b>10,507</b>	<b>105,690</b>

## HAWICK COMMON GOOD FUND

## INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

<b>Cost of Investment</b>	<b>£</b>
13 December 2013	192,394
17 January 2014	56,884
24 January 2014	56,036
3 February 2014	53,857
<b>Total Invested to 31 March 2015</b>	<b>359,171</b>

<b>Value of Investment</b>	<b>£</b>
31 March 2014	364,471
30 June 2014	368,811
30 September 2014	362,770
31 December 2014	365,370
31 March 2015	377,491
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>18,320</b>

Dividends totalling £9,528 have been received during 2014/15 and have been used to fund in year expenditure for 2014/15.