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## **MONITORING REPORT FOR 12 MONTHS TO 31 MARCH 2018**

**Report by the Chief Financial Officer**

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### **WILLIAM HILL TRUST FUND SUB-COMMITTEE**

**14 November 2018**

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

- 1.1 This report provides the details of the income and expenditure for the William Hill Trust Fund for the year 2017/18 as well as a balance sheet as at 31 March 2018 and proposed budget for 2018/19.**
- 1.2 Appendix 1 provides the actual income and expenditure for 2017/18. This shows an overall surplus of £11,340 for the year and a proposed budget surplus of £15,681.
- 1.3 Appendix 2 provides a balance sheet value. It shows an increase in the reserves of £4,940 as at 31 March 2018 and a projected increase of £9,538 as at 31 March 2019.
- 1.4 Appendix 3 shows the value of the funds invested with Kames Capital to 31 March 2018.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the William Hill Trust Sub-Committee:**
  - (a) Notes the actual income and expenditure for 2017/18 in Appendix 1;**
  - (b) Agrees the proposed budget for 2018/19 as shown in Appendix 1;**
  - (c) Notes the final balance sheet value as at 31 March 2018 in Appendix 2;**
  - (d) Notes the projected balance sheet values as at 31 March 2018 in Appendix 2; and**
  - (e) Notes the summary of the investment portfolio in Appendix 3**

### 3 BACKGROUND

3.1 This report provides the Committee with financial information for the period to 31 March 2018 and proposed budgets for 2018/19. The report also contains a projected balance sheet for the Trust as at 31 March 2019.

### 4 FINANCIAL POSITION 2017/18

4.1 Appendix 1 provides detail on income and expenditure for the 2017/18 financial year as well as the proposed budget for 2018/19.

#### 4.2 Income & Expenditure – Income

The final outturn shows a total income of £14,537. This includes dividends received from the Newton and Kames Investments, see para 4.3, as well as donations received from other Melrose trusts amounting to £10,138. These are detailed in Appendix 1. Income was also received relating to interest on cash held by Scottish Borders Council, amounting to £60. The annual rate of interest applied to the cash deposits is estimated at 0.30%.

4.3 The capital reserve was invested in the Newton Fund and following agreement from Scottish Borders Council moved to Kames Capital in February 2018. Dividends received from Newton total £3,717 and from Kames Capital £622. The projected budget for 2018/19 includes a full year estimate of the Kames dividend amounting to £7,449 reflecting the fact that Kames have historically generated, and also target dividend income in the region of 5% of total investment.

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

The grants and other donations distributed to 31 March 2018 are shown below.

Grant Recipients Approved and Paid to 31 March 2018		Approved		TOTAL
		Date	£	£
Fund 1	Upkeep of Family Grave	Annual	5	5
Fund 2	Grants to individuals	Annual	140	140
Fund 3	Sports Champion Melrose Primary	Annual	40	40
Fund 3	Melrose Waverley Tennis Club		2,482	2,482
<b>Total Paid to 31 March 2018</b>			<b>2,667</b>	<b>2,667</b>
<b>Budget 2017/18</b>				<b>220</b>
<b>(Over allocated) Budget</b>				<b>(2,447)</b>
<b>Proposed 2018/19 Budget</b>				
<i>Approved but not yet paid</i>				
<i>Sports Champion Melrose Primary</i>			40	
<i>General Grants</i>			1960	

4.5 As part of the move from Newton to Kames Capital, a fee of £15,000 was incurred for KPMG, the Council's Pension Fund Investment advisor for their role in the selection and recruitment of Kames. This has been apportioned across Common Good and Trust Funds, as approved at Council on 21 December 2017, resulting in a charge to William Hill Trusts of £530.

4.6 During 2017 the Council undertook work to reduce the number of individual trusts and bequests. Consultation and individual meetings were held during the year and a report was agreed at Council on 21 December. The report has resulted in the William Hill no 1 transferring to the SBC Community Enhancement Trust and the William Hill no 2 transferring to the SBC Welfare Trust, ring fenced for Melrose and district, from 1 April 2018. No budget has therefore been proposed for Fund 1 and 2 in 2018/19.

4.7 Appendix 2 provides the balance sheet value at 31 March 2018 and a projected balance at 31 March 2018.

#### 4.8 **Balance Sheet – Investments**

- a) Following concerns however of the performance of the Newton Fund the Council approved a procurement exercise be undertaken to test if Newton would provide the best value for the funds in the future. The procurement exercise resulted in a report to Council on 21 December 2017 recommending Kames Capital as the preferred investment manager for the Common Good and Charity funds. The funds were subsequently disinvested from Newton and resulted in realised loss of £5,899 for William Hill Trusts.
- b) The Kames Capital Diversified Income Fund was chosen to replace Newton. The total return delivered by Kames over a 1 year and a 3 year period as at September 2017 were both in the region of 10%. Part of this total return includes a targeted 5% dividend income and a 2% to 3% capital growth over the medium term. The fund holds diversified assets across a wide range of investments, tailored to target half to two thirds the volatility of global equities.
- c) Unfortunately, due to the increase in market volatility which started in February, the value of the Kames Fund fell by 0.3% as at 31 March 2018, resulting in an unrealised loss at this time of £500.

#### 4.9 **Balance Sheet – Cash Balance**

The cash held by the fund is £31,109 an in-year net increase of £11,940. The cash movement for 2017/18 is as follows:

<b>Cash Balance</b>	<b>£</b>
<b>Opening Balance at 1 April 2017</b>	19,169
<b>Repayment of Principal (Long Term Debtors)</b> Melrose Golf Club Loan	600
Surplus for year from Income & Expenditure Statement	11,340
<b>Closing Balance at 31 March 2018</b>	<b>31,109</b>

## 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 Kames Capital 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 Trust 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 Service Director Human Resources and the Clerk to the Council are being consulted and their appropriate comments will be incorporated into this report.

### Approved by

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

**Signature .....**

### Author(s)

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**Background Papers:**

**Previous Minute Reference:** William Hill Trust Fund Committee 21 September 2017.

**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.

Contact us at Pensions & Investment Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA.

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**WILLIAM HILL TRUST FUND  
INCOME AND EXPENDITURE 2017/18**

	Actuals at 31/03/18 £	Full Year Budget 2017/18 £	Over/ (Under) Spend 2017/18 £	Proposed Budget 2018/19 £	Para Ref	Commentary
<b>INCOME</b>						
<b>Interest on Cash deposited with Council</b>						
Fund 1	0	0	0	0		
Fund 2	(0)	(0)	0	0		
Fund 3	(60)	(33)	(27)	(94)	4.2	2017/18 Calculated at 0.30%
<b>Total Interest</b>	<b>(60)</b>	<b>(33)</b>	<b>(27)</b>	<b>(94)</b>		
<b>Investment Fund – Dividends</b>						
Fund 1	(5)	(5)	0			
Fund 2	(163)	(145)	(18)			
Fund 3	(4,171)	(3,710)	(461)	(7,449)	4.3	2018/19 Calculated at 5%
<b>Total Dividends Received</b>	<b>(4,339)</b>	<b>(3,860)</b>	<b>(479)</b>	<b>(7,449)</b>		
<b>Donations from Other Trusts</b>						
Fund 3 – Fraser Bequest (1)	(248)	(286)	38	(248)		
Fund 3 – Gibson Park Trust	(9,754)	(9,806)	52	(9,754)		
Fund 3 – Greenyards Trust	(136)	(158)	22	(136)		
	<b>(10,138)</b>	<b>(10,250)</b>	<b>112</b>	<b>(10,138)</b>		
<b>TOTAL INCOME</b>	<b>(14,537)</b>	<b>(14,143)</b>	<b>(394)</b>	<b>(17,681)</b>		
<b>EXPENDITURE</b>						
<b>Running costs – Procurment costs</b>	530		530		4.5	
<b>Grants &amp; Other Donations</b>						
Fund 1- Grave Upkeep	5	5	0			
Fund 2 - Pensioners	140	175	(35)			
Fund 3 - General Fund	2,522	40	2,482	2,000	4.4	
<b>TOTAL EXPENDITURE</b>	<b>3,197</b>	<b>220</b>	<b>2,977</b>	<b>2,000</b>		
<b>Total Net (Surplus)/Deficit for year</b>	<b>(11,340)</b>	<b>(13,923)</b>	<b>2,583</b>	<b>(15,681)</b>		

## WILLIAM HILL TRUST FUND

## PROJECTED BALANCE SHEET VALUE AT 31 March 2018

	Opening Balance at 01/04/17 £	Movement in Year 2017/18 £	Closing Balance at 31/03/18 £	Projected Balances at 31/03/19 £
<b>Investment in Newton Fund</b>				
Fund 1	200	0	200	
Fund 2	5,817	(10)	5,807	
Fund 3	148,983	(80)	148,903	148,903
<b>Total Investment</b>	<b>155,000</b>	<b>(90)</b>	<b>154,910</b>	<b>148,903</b>
<b>Investment Gain/(Loss)</b>				
Fund 1	7	(8)	(1)	
Fund 2	211	(230)	(19)	
Fund 3	5,591	(6,072)	(481)	(481)
<b>Total Unrealised Gain/(Loss)</b>	<b>5,809</b>	<b>(6,310)</b>	<b>(501)</b>	<b>(481)</b>
<b>Total Market Value</b>	<b>160,809</b>	<b>(6,400)</b>	<b>154,409</b>	<b>148,422</b>
<b>Long Term Debtors</b>				
Loan to Melrose Golf Club	<b>1,200</b>	<b>(600)</b>	<b>600</b>	<b>0</b>
<b>Current Assets</b>				
Debtors	0	0	0	0
<b>Total Cash deposited with SBC</b>	<b>19,169</b>	<b>11,940</b>	<b>31,109</b>	<b>47,234</b>
<b>Current Liabilities</b>				
Creditors	0	0	0	0
<b>Net Assets</b>	<b>181,178</b>	<b>4,940</b>	<b>186,118</b>	<b>195,656</b>
<b>Funded by:</b>				
<b>Reserves</b>				
Revenue Reserve Fund	(55,241)	(11,250)	(66,491)	(81,889)
Capital Reserve Fund	(125,937)	6,310	(119,627)	(113,767)
<b>Total Reserves</b>	<b>(181,178)</b>	<b>(4,940)</b>	<b>(186,118)</b>	<b>(195,656)</b>

## WILLIAM HILL TRUST FUND

## INVESTMENTS EXTERNALLY MANAGED

<b>Book value movements</b>	<b>Units</b>	<b>£</b>
Initial Investment – Newton - 13 December 2013		
Fund 1	107	200
Fund 2	3,111	5,817
Fund 3	82,357	153,983
Disinvestment - 21 March 2016		
Fund 1	(107)	(1,92)
Fund 2	(3,111)	(5,596)
Fund 3	(82,357)	(148,312)
disinvestment		
Initial Investment Kames Capital – 12 February 2018		
Fund 1	184.4	199
Fund 2	5363.24	5,788
Fund3	137,529.39	148,903
<b>Total Book value as at 31 March 2018</b>	<b>143,077.03</b>	<b>154,409</b>

<b>Market Value of Investment</b>	<b>£</b>
31 March 2016	161,474
31 March 2017	160,809
12 Feb 2018	154,910
31 March 2018	154,910
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>(501)</b>