
Monitoring Report for 3 Months to 30 June 2015

Report by the Chief Financial Officer

Hawick Common Good Sub Committee

18 August 2015

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Hawick Common Good Fund for the 3 months to 30 June 2015 and full year projected out-turn for 2015/16 and projected balance sheet values to 31 March 2016**
- 1.2 Appendix 1 provides a projected Income and Expenditure position. This shows a projected deficit of £40,660 for the year.
- 1.3 Appendix 2 provides a projected Balance Sheet to 31 March 2016. It shows a projected decrease in the reserves of £83,454.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing actual Income and Expenditure to 30 June 2015.
- 1.5 Appendix 4 shows the value of the Newton Fund to 30 June 2015.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Sub Committee:**
 - (a) Agrees the projected Income and Expenditure for 2015/16 in Appendix 1.**
 - (b) Notes the projected Balance Sheet value to 31 March 2016 in Appendix 2.**
 - (c) Notes the summary of the property portfolio in Appendix 3.**
 - (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 2015 and projections to 31 March 16. The report also contains a projected balance sheet for the Common Good Fund to 31 March 2016.

4 FINANCIAL POSITION 2014/15

4.1 Appendix 1 provides detail on income and expenditure for the 2015/16 financial year. The projected net position for the year is a deficit of £40,660, assuming full expenditure of the grants and donations budget of which £18,000 remains to be allocated.

4.2 Income & Expenditure – Rental Income

Rental income for 2015/16 is shown on Appendices 1 & 3, with Appendix 3 detailing the projected annual rental income by individual property. 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 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 0.4%.

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 2015/16 is based on a distribution of 2.5% which will be subject to the overall performance of the fund.

4.5 Income & Expenditure – Property Expenditure

The property expenditure to 30 June 2015 is detailed in Appendix 3 by property. 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.

4.6 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.

Grant Recipients	Approved	£
Approved and Paid to 30 June 2015		
Hawick Honorary Provost Running Costs	26/05/15	2,000
Total Paid to 30 June 2015		2,000
2015/16 Budget		20,000
Budget Remaining		18,000
Approved but not yet paid		0
Total Approved but not yet paid		0
Unallocated Budget Remaining		18,000

4.7 **Income & Expenditure – Depreciation Charge**

The depreciation charge is projected to be £42,792 based on the revaluation of the properties at 1 April 2014. This is not a cash transaction.

4.8 Appendix 2 provides the balance sheet value to 31 March 2015, the projected movement in year and a projected balance at 31 March 2016.

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 2015, projected depreciation charges 2015/16 and projected value at 31 March 2016.

4.10 **Balance Sheet – Newton Investment**

- a) With the current uncertainties in financial markets worldwide caused by the Greek debt crises, speculation over possible interest rate rises in the US and the downturn in the growth rate of the Chinese economy, Global markets have proven to be very volatile in the second quarter of 2015.
- b) This has resulted in a downturn across financial markets, which has averaged 5%. Against this background, information from Newton shows an overall performance reduction of 2.76% indicating a reduction in assets value but a lower level of relative performance reduction compared to the wider market over the quarter. The Newton Fund due to its remit of "capital preservation" has therefore been impacted by market fluctuations to a lesser extent than other funds. It should again be noted that these investments are long term investments and individual quartile performance should not be taken in isolation but must be viewed over the longer term. Newton's have action plans in place and as at the end July recovered 0.8% of the second quarter reduction. They believe the overall objective of the fund to return LIBOR+4% over a 5 year average is still achievable and there is no reason to change the strategy adopted at this point.
- c) The projections include an unrealised profit of £7,595 for the Newton Fund Investment as at 30 June 2015. Appendix 4 shows the performance of the fund since inception.

4.11 Balance Sheet – Cash Balance

The cash held by the fund is projected to be £93,744, an in year projected decrease of £40,660. The projected cash movement for 2015/16 is as follows:

Cash Balance	£
Opening Balance at 1 April 2015	134,404
Transfer to Newton Fund	0
Projected Deficit for year from Income & Expenditure Statement	40,660
Net cash movement in Debtors/Creditors	0
Projected Closing Balance at 31 March 2016	93,744

4.12 Balance Sheet – Capital Reserve

The projections for the Capital Reserves include the unrealised profits for the Newton Fund as at 30 June 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)

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Background Papers:
Previous Minute Reference:

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HAWICK COMMON GOOD FUND

INCOME AND EXPENDITURE 2015/16

	Actuals at 30/06/15	Full Year Approved Budget 2015/16	Full Year Projected Out-turn	Full Year Projected Over/ (Under) Spend	Para Ref	Commentary
	£	£	£	£		
Property Income						
Rentals Receivable	(84,059)	(94,690)	(92,220)	2,470	4.2	Common Haugh
Non-Property Related Income						
Interest on Cash deposited with Council	0	(300)	(300)	0	4.3	Calculated at 0.4%
Newton Fund Investment – Dividends Rec'd	0	(8,979)	(8,979)	0	4.4	Calculated at 2.5%
Other Income	(10,186)	(8,700)	(10,186)	(1,486)	4.5	Contribution from CC and balance of Grant for Squirrel Control
Total Income	(94,245)	(112,669)	(111,685)	984		
Property Expenditure						
Property Costs – General	23,338	49,423	49,423	0	4.5	Williestruther Path & Common Haugh Rates
Property Costs – Pilmuir	5,903	72,225	72,225	0	4.5	Pilmuir Silage Pit
Property Costs – St Leonards	929	5,532	5,532			
Total Property Expenditure	30,171	127,180	127,180	0		
Grants & Other Donations	2,000	20,000	20,000	0	4.6	
Running Costs						
Central Support Service Charge	0	10,841	10,841	0		
SBC Grant towards Service Charge	0	(5,676)	(5,676)	0		
Net Running Costs	0	5,165	5,165	0		
Depreciation						
Depreciation Charge	0	42,792	42,792	0		
Contribution from Revaluation Reserve	0	(42,792)	(42,792)	0		
Net impact of Depreciation on Rev Res	0	0	0	0		
Total Net (Surplus)/Deficit for year	(62,074)	39,676	40,660	(984)		

HAWICK COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AS AT 30 June 2016

	Opening Balance at 01/04/15 £	Projected Movement in Year £	Projected Balances at 31/03/16 £
Fixed Assets			
Land & Buildings ¹	3,674,859	(42,792)	3,632,006
Heritable Assets	3,000	0	3,000
Feu Duties	18	0	18
Total Fixed Assets	3,677,877	(42,792)	3,635,084
Capital in Newton Investment Fund			
Investment in Newton Fund	359,171	0	359,171
Unrealised Gains/(Loss)	18,320	0	18,320
Market Value²	377,491	0	377,491
Current Assets			
Debtors	6,812	0	6,812
Cash deposited with SBC	134,404	(40,660)	93,744
Total Current Assets	141,216	(40,660)	100,556
Current Liabilities			
Creditors	(21,472)	0	(21,472)
Receipts in Advance	(19,197)	0	(19,197)
Total Current Liabilities	(40,668)	0	(40,670)
Net Assets	4,155,916	(83,454)	4,072,462
Funded by:			
Reserves			
Revenue Reserve ³	(100,547)	40,660	(59,887)
Capital Reserve ³	(513,326)	0	(513,326)
Revaluation Reserve	(3,542,043)	42,792	(3,499,251)
Total Reserves	(4,155,916)	83,454	(4,072,464)

¹ Net Book Value of Land & Buildings are broken down on Appendix 3

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

³ Opening Capital and Revenue Reserve Balances have been aligned to net asset values

HAWICK COMMON GOOD FUND

PROPERTY PORTFOLIO PERFORMANCE FOR 2015/16
(Actual Income and Expenditure to 30 June 2015)

Fixed Assets	Net Book Value at 31/03/15	Projected Depn Charge 2015/16	Projected Net Book Value at 31/03/16	Projected Rental Income 2015/16	Actual Property Expenditure at 30/06/15				
					Repairs	Rates, Water & Power	Ins	Other	Total
	£	£	£	£	£	£	£	£	£
General									
Moat Park	0	0	0	0	0	0	0	0	0
Moat Park Playground	0	0	0	0	0	0	0	0	0
Hawick Golf Course	73,000	0	73,000	0	0	0	0	0	0
Acreknowe Reservoir (Part)	0	0	0	0	206	0	0	0	206
Williestruther Loch	4,500	0	4,500	375	342	0	0	0	342
Williestruther Cottage	175,371	4,629	170,742	4,875	692	0	60	0	752
Lothian Street Store	17,537	463	17,074	2,550	0	6,550	83	0	83
Common Haugh Car Park	82,000	0	82,000	5,200	80	0	0	0	6,630
Underhaugh	0	0	0	0	0	0	0	0	0
Hawick Moor Racecourse & Bldgs	33,760	1,240	32,500	700	3,021	0	1,477	0	4,498
Hawick Moor Shootings	4,000	0	4,000	200	0	0	0	0	0
Woodend Grazings (West)	1,500	0	1,500	75	0	0	0	0	0
Millpath Stables	21,940	560	21,380	0	23	0	2	0	25
Ca'Knowe Monument	0	0	0	0	0	0	0	0	0
Volunteer Park & Stand	325,067	14,933	310,134	1,750	0	0	152	356	508
Hawick Burgh Woodlands	99,000	0	99,000	0	0	0	0	0	0
Woodend Grazings (East)	1,000	0	1,000	80	0	0	0	0	0
Hawick Golf Club Sub Stn Site	750	0	750	75	0	0	0	0	0
Common Riding	0	0	0	0	1,186	0	0	0	1,186
Haggis Ha/Burnflat Wall	0	0	0	0	1,005	0	0	0	1,005
Williestruther Path	0	0	0	0	7,951	0	0	0	7,951
100 Stairs and Adjacent Land	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	0	103	-39	0	64
General Sub Total	839,425	21,825	817,600	15,880	14,504	6,653	1,735	356	23,248

Fixed Assets	Net Book Value at 31/03/15 £	Projected Depn Charge 2015/16 £	Projected Net Book Value at 31/03/16 £	Projected Rental Income 2015/16 £	Actual Property Expenditure at 30/06/15				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
Pilmuir									
Pilmuir Farm	1,796,251	3,749	1,792,502	45,000	4,678	0	1,225	0	5,903
Pilmuir Farm Cottage	156,400	3,600	152,800	7,200	0	0	0	0	0
Pilmuir Farm Shed & Silage Pit	0	0	0	0	0	0	0	0	0
Pilmuir Farm Shootings	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	0	0	0	0	0
Pilmuir Sub Total	1,952,651	7,349	1,945,302	52,200	4,678	0	1,225	0	5,903
St Leonards									
St Leonards Farmhouse Buildings	251,111	4,889	246,222	9,600	315	0	454	0	769
St Leonards Cottage & Park	209,471	5,529	203,942	5,400	0	0	78	0	78
St Leonards Hut	3,200	3,200	0	0	0	0	31	0	172
St Leonards Grazings (Lot 1)	135,000	0	135,000	1,349	141	0	0	0	0
St Leonards Horse Gallop	17,000	0	17,000	600	0	0	0	0	0
St Leonards Grazings (Lot 2)	267,000	0	267,000	7,191	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	0	0	0	0	0
St Leonards Sub Total	882,782	13,618	869,164	24,140	456	0	563	0	1,019
Total	3,674,858	42,792	3,632,066	92,220	19,638	6,653	3,524	356	30,171

HAWICK COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	102,901	192,394
17 January 2014	30,010	56,884
24 January 2014	29,680	56,036
3 February 2014	28,602	53,857
Total Invested to 30 June 2015	191,193	359,171

Value of Investment	£
31 March 2015	377,491
30 June 2015	366,766
30 September 2015	
31 December 2015	
31 March 2016	
Increase/(Decrease) from Total Cash Invested	7,595

