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## **Monitoring Report for 9 Months to 31 December 2014**

**Report by the Chief Financial Officer**

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

**17 February 2015**

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

- 1.1 **This report sets out details of transactions on the Hawick Common Good Fund for the 9 months to 31 December 2014 and projects full year revenue income and expenditure for 2014/15 and balance sheet values at 31 March 2015.**
- 1.2 Appendix 1 provides a projected Income and Expenditure position. This shows a projected deficit of £657 for the year.
- 1.3 Appendix 2 provides a projected Balance Sheet to 31 March 2015 and shows a projected increase in the Capital Reserve of £899, based on the unrealised increase in market value of the Newton Fund to 31 December 2014.

#### **2 RECOMMENDATIONS**

- 2.1 **It is recommended that the Common Good Sub Committee:**
  - (a) **Agrees the projected out-turn in Appendix 1 as the revised budget for 2014/15.**
  - (b) **Notes the projected Balance Sheet as detailed 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 as detailed in Appendix 4.**

### 3 BACKGROUND

- 3.1 This report provides the Committee with financial information for the period to 31 December 2014 and projections to 31 March 2015. The report also contains a projected balance for the Common Good Fund to 31 March 2015.

### 4 FINANCIAL POSITION 2014/15

- 4.1 Appendix 1 provides detail on income and expenditure for the 2014/15 financial year. The projected net position for the year is a deficit of £657, assuming full expenditure of the grants budget, of which £17,000 remains to be allocated.

#### 4.2 **Income & Expenditure - Rental Income**

Projected rental income for 2014/15 is shown on Appendices 1 and 3, with Appendix 3 detailing the projected annual rental income by individual property.

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

- 4.3 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 however expected to be around 0.4%.
- 4.4 The Capital Reserve is invested in the Newton Fund, and distributions from are made twice a year in September and February. A dividend of £6,250 was received by the Hawick Common Good Fund at 30 September 2014. The Newton Fund is currently anticipated to fully return the projected annual budgeted income of £8,350.

#### **Income & Expenditure - Property Costs**

- 4.5 The estimate for full year property costs has been increased by £8,000 to allow for anticipated costs, including an architect's fee in respect of Pilmuir Farm silage pit works and drainage work.

#### **Income & Expenditure - Grants and Other Donations**

- 4.6 The Grants and Other Donations distributed to 31 December 2014 are shown below. There are currently no other outstanding commitments.

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
Ancient Order of Mosstroopers - 'Horse'	20/9/11	1,500
Restoration Fund contribution	19/8/14	1,500
Printing costs - Land of Reivers		
<b>Total Paid to 31 December 2014</b>		<b>3,000</b>
<b>Projected Out-Turn</b>		<b>20,000</b>
<b>Remaining Unallocated Budget</b>		<b>17,000</b>

## Balance Sheet

- 4.7 Appendix 2 provides the balance sheet position at 31 March 2014, the projected movement in year and a projected final balance sheet position for 31 March 2015.
- 4.8 All fixed assets of the Common Good Fund are revalued every 5 years as part of the Council's rolling program. The fixed assets currently shown on the Balance Sheet are due for revaluation from 1<sup>st</sup> April 2014. The Council's Estates Section is currently finalising these and the final year end balance sheet will be adjusted to reflect these revaluations.

## Cash Balance

- 4.9 The cash held by the fund is projected to be £93,719 at 31 March 2015, an in year projected net reduction of £7,105. The projected cash movement for 2014/15 is as follows:

<b>Projected Cash Balance</b>	<b>£</b>	<b>£</b>
<b>Opening Balance at 1.4.14</b>		<b>100,824</b>
Projected deficit for year from Income & Expenditure Statement		(657)
Net cash movement in Debtors/ Creditors		(6,448)
<b>Projected Closing Balance at 31.3.15</b>		<b>93,719</b>

## Capital Reserve

- 4.10 The projections for the Capital Reserve include the unrealised profits for the Newton Fund as at 31 December 2014.

## 5 IMPLICATIONS

### 5.1 Financial

There are no further financial implications other than those explained above in Section 3.

### 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 through 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, 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 **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:**

**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.

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## HAWICK COMMON GOOD FUND

## PROJECTED INCOME AND EXPENDITURE 2014/15

	ACTUAL TO 31/12/14	FULL YEAR APPROVED BUDGET	FULL YEAR PROJECTED OUTTURN	PROJECTED OVER/(UNDER) SPEND	Para Ref	COMMENTARY
	£	£	£	£		
<b>Property Income</b>						
Rentals Receivable	(93,832)	(94,415)	(94,415)	-	4.2	See Appendix 3
<b>Non-Property Related Income</b>						
Interest on cash deposited with Council	-	(600)	(600)	-	4.3	
Newton Fund investment - Dividends receivable	(6,250)	(8,350)	(8,350)	-	4.4	Second dividend to be received in Feb 2015
Other income	(243)	(243)	(243)	-		
<b>Total Income</b>	<b>(100,325)</b>	<b>(103,608)</b>	<b>(103,608)</b>			
<b>Property Expenditure</b>						
Property Costs	71,021	70,000	78,000	8,000	4.5	See Appendix 3 Additional expenditure relates to silage pit works.
Property Renovation – Pilmuir Farm	1,008	1,100	1,100	-		
<b>Total Property Expenditure</b>	<b>72,029</b>	<b>71,100</b>	<b>79,100</b>	<b>8,000</b>		
<b>Grants &amp; Donations to Local Bodies</b>	<b>3,000</b>	<b>20,000</b>	<b>20,000</b>	-	4.6	Unallocated budget is £17,000
<b>Running Costs</b>						
Central Support Service Charge	-	10,841	10,841	-		
SBC Grant towards Service Charge	-	(5,676)	(5,676)	-		
<b>Net Running Costs</b>	<b>-</b>	<b>5,165</b>	<b>5,165</b>	<b>-</b>		
<b>Depreciation</b>						
Depreciation charge	-	35,852	35,852	-		Estimate based on current Net Book Values
Contribution from Revaluation Reserve	-	(35,852)	(35,852)	-		
<b>Net impact of depreciation on the revenue reserve</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>		
<b>Total Net (Surplus)/Deficit for the year</b>	<b>(25,296)</b>	<b>(7,343)</b>	<b>657</b>			

## HAWICK COMMON GOOD FUND

## ESTIMATED SUMMARY BALANCE SHEET POSITION AS AT 31 DECEMBER 2014

	Opening Balance at 31 March 2014 £	Projected Movements in year £	Projected Balances at 31 March 2015 £
<b>Fixed Assets</b>			
Land & Buildings <sup>1</sup>	2,528,955	(35,852)	2,493,103
Heritable Assets	3,000	-	3,000
<b>Total Fixed Assets</b>	<b>2,531,955</b>	<b>(35,852)</b>	<b>2,496,103</b>
<b>Capital in Newton Investment Fund Market Value as at 31.12.14<sup>2</sup></b>	<b>364,471</b>	<b>899</b>	<b>365,370</b>
<b>Current Assets</b>			
Cash deposited with SBC	100,824	(7,105)	93,719
<b>Current Liabilities</b>			
Creditors	(6,448)	6,448	-
<b>Net Assets</b>	<b>2,990,802</b>	<b>(35,610)</b>	<b>2,955,192</b>
<b>Funded by:</b>			
<b>Reserves</b>			
Revenue Reserve <sup>3</sup>	(94,376)	657	(93,719)
Capital Reserve <sup>3</sup>	(500,304)	(899)	(501,203)
Revaluation Reserve	(2,396,122)	35,852	(2,360,270)
<b>Total Reserves</b>	<b>(2,990,802)</b>	<b>35,610</b>	<b>(2,955,192)</b>

<sup>1</sup> Projected book values of Land and Buildings as at 31 March 2015 broken down on Appendix 3.

<sup>2</sup> The Dividend Income on the Newton Fund is reflected in the Income and Expenditure Statement (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 Expenditure to end December 2014)**

Fixed Assets	FIXED ASSETS Projected book value at 31.3.15	RENTAL INCOME Projected Outturn	ACTUAL PROPERTY COSTS TO 31.12.14				
			Repairs	Rates, Water & Power	Insurance	Other	Total
	£	£	£	£		£	£
Hawick Moor Racecourse & Bld	27,651	(700)	35,474	369			35,843
Hut at St Leonards	-		4,056	279			4,335
Mill Path Stables	14,801		245	(208)			37
Common Riding	-					(572)	(572)
Common Haugh	328,000	(8,700)	229	792			1,021
Hawick Golf Course & Sub station	86,500	(75)	3,175				3,175
Haggis Ha/Burnflat wall	-		998				998
Hawick Moor Shootings	3,000	(300)					
Lothian St. Stores	15,570	(2,550)	58				58
Nipknowes (Woodend Grazings-East)	850	(75)					
Nipknowes (Woodend Grazings-West)	850	(75)					
Pilmuir Farm & Farmhouse	1,041,750	(45,000)	14,570				14,570
Pilmuir Farm Cottages	50,000	(7,200)	2,291				2,291
Pilmuir Farm Shed restoration	-		1,008				1,008
Pilmuir Farm Shootings	-						
St Leonards Horse Gallop	10,000	(550)					
St Leonards Cottage & Park	108,693	(5,400)					
St Leonards Farmhouse & buildings	191,720	(8,300)					
St Leonards Grazings	200,000	(8,540)					
Williestruther Cottage	103,800	(4,875)	83				83
Williestruther Loch	4,500	(375)	2,683				2,683
Under Haugh, Hawick	-						
Volunteer Park & Stand	232,400	(1,700)	86				86
Moat Park	-						
Hawick Burgh Woodland	73,000						
Acreknowe Reservoir	-						
Feu Duty Redemptions	18						
Ca'Knowe Monument/footpath			646				646
100 Stairs and adjacent land							
Property & Estates Service-Time Charges						2,242	2,242
Other					3,422	103	3,525
<b>Total</b>	<b>2,493,103</b>	<b>(94,415)</b>	<b>65,602</b>	<b>1,232</b>	<b>3,422</b>	<b>1,773</b>	<b>72,029</b>

## Hawick Common Good

## INVESTMENTS

£

**Investments**

Investments externally managed in Newton Real Return Fund

Cost of Investment	359,171
Value at 31.3.14	364,471
Value at 30.6.14	368,811
Value at 30.9.14	364,577
Value at 31.12.14	365,370

Since inception the capital value of the investment has increased from £359,171 to £365,370. A dividend of £6,249 was received on 30 September 2014 and will be used to fund in year expenditure as part of the £8,350 investment income projected balance for 2014/15. A further dividend is expected to be received at the end of February 2015.

