
MONITORING REPORT FOR 3 MONTHS TO 30 JUNE 2020

Report by Executive Director, Finance & Regulatory

SELKIRK COMMON GOOD FUND SUB-COMMITTEE

2 September 2020

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Selkirk Common Good Fund for the three months to 30 June 2020, a full year projected out-turn for 2020/21, and projected balance sheet values as at 31 March 2021.**
- 1.2 Appendix 1 provides the projected income and expenditure position for 2020/21. This shows a projected deficit of £44,426 for the year.
- 1.3 Appendix 2 provides a projected balance sheet value as at 31 March 2021. It shows a projected decrease in the reserves of £154,507.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing projected rental income for 2020/21 and actual property expenditure to 30 June 2020.
- 1.5 Appendix 4 shows the value of the Aegon Asset Management (formerly Kames Capital) Investment Fund to 30 June 2020.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Fund Sub-Committee:**
 - (a) Agrees the projected income and expenditure for 2020/21 in Appendix 1 as the revised budget for 2020/21;**
 - (b) Notes the projected balance sheet value as at 31 March 2021 in Appendix 2;**
 - (c) Notes the summary of the property portfolio in Appendix 3; and**
 - (d) Notes the current position of the Aegon Asset Management Investment Fund in Appendix 4.**

3 BACKGROUND

3.1 This report provides the Committee with financial information for the period to 30 June 2020 and projections to 31 March 2021. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2021.

4 FINANCIAL POSITION 2020/21

4.1 Appendix 1 provides detail on income and expenditure for the 2020/21 financial year. The projected net position for the year is a deficit of £44,426.

4.2 Income & Expenditure – Property Income

Rental income for 2020/21 is shown in Appendices 1 & 3, with Appendix 3 detailing the projected annual rental income by individual property.

4.3 Income & Expenditure – Non-Property Related Income

- (a) The projected outturn position shows an amount of £50 relating to interest receivable on cash held by SBC. Also included are dividends from the Common Good Funds investment in Aegon Asset Management amounting to £5,273, with the current projection estimated at a 2.5% return. As a result of the market value dropping due to the impact of the COVID-19, this projected 2.5% return is less than the 5% target and the monthly distribution profile projections provided by Aegon.
- (b) Rebate income from Aegon Asset Management received in March 2020 of £55 was accounted for in 2019/20 however the corresponding 59 units have been purchased in April 2020.

4.4 Income & Expenditure – Property Expenditure

- (a) The property expenditure to 30 June 2020 is detailed in Appendix 3 by property, amounting to £500, which is statutory compensation paid in relation to the resumption of land from South Common Farm Tenancy.
- (b) The proposed budget for 2020/21 is shown in Appendix 1.
- (c) A detailed report from Estates on the condition of all farms is due to be submitted to the Sub-Committee.

4.5 Income & Expenditure – Grants & Other Donations

The grants and other donations approved and distributed to 31 March 2021, including those approved at the meeting held on 2 July 2020, are shown below:

Grant Recipients	Approved	£
Approved and Paid to 30 June 2020		0
Total Paid to 31 March 2021		0
Approved but not paid		
Ettrick Forest Bowling Club	02/07/20	2,540
Blooming Selkirk	02/07/20	750
Selkirk Musical Theatre Group (subject to production going ahead)	02/07/20	1,500
		4,790
Recommended for Approval by full Council		
Selkirk Common Riding Trust		2,250
Proposed Budget 2020/21		24,560
(Unallocated)/Overallocated Budget		(17,520)

4.6 Income & Expenditure – Depreciation Charge

The projected depreciation charge for the year is £110,081 which is less than the approved budget figure of £139,781 as the Green Hut was fully depreciated in 2019/20 therefore no depreciation will be charged in 2020/21; a correction has also been made to the Victoria Hall/Caretakers Flat which does not affect the total amount of depreciation to be charged for the year. This is not a cash transaction and is off-set by a corresponding contribution from the Revaluation Reserve.

4.7 Appendix 2 provides the balance sheet value to 31 March 2020, the projected movement in year and a projected balance as at 31 March 2021.

4.8 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 2019. Appendix 3 shows the values of the individual properties at 31 March 2020, projected depreciation charges 2020/21 and projected value at 31 March 2021.

4.9 Balance Sheet – Investment Fund

- (a) The fund has an 8.52% unrealised loss in market value since investment, largely due to continued volatility in investment markets. Overall, however, taking account of the income received the fund has achieved a return of 2.76% since investment in February 2018.
- (b) Following a rebranding exercise, from 7 September, Kames Capital will change its name to that of its parent company, Aegon Asset Management. This change does not affect the way in which the Fund is managed or invested.

4.10 Balance Sheet – Cash Balance

The projected cash held by the fund is £6,057 at 31 March 2021 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2020	50,687
Projected surplus/(deficit) for year from I&E Statement	(44,426)
Net Cash Movement in Debtors/Creditors	0
Rebate Investment in Aegon	(204)
Projected Closing Balance at 31 March 2021	6,057

4.11 Balance Sheet – Capital Reserve

The projections for the Capital Reserves include the unrealised loss for the Aegon Asset Management Fund as at 31 March 2020 but due to the nature of the markets no estimate has been made for the current years' movement.

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 Aegon Asset Management 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 Intergrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine financial monitoring report which forms part of the governance of the management of the Common Good Funds. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing 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/Chief Legal Officer, the Chief Officer Audit and Risk, Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and their appropriate comments have been incorporated into this report.

Approved by

David Robertson

Executive Director Finance & Regulatory Signature

Author(s)

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Background Papers:

Previous Minute Reference: Selkirk Common Good Committee 2 July 2020

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**SELKIRK COMMON GOOD FUND
PROJECTED INCOME AND EXPENDITURE 2020/21**

	Actuals at 30/06/20	Full Year Approved Budget 2020/21	Full Year Projected Out-turn 2020/21	Full Year Projected Over/(Under) Spend 2020/21	Para Ref	Commentary
	£	£	£	£		
Property Income						
Rentals Receivable	(50,751)	(62,656)	(62,656)		4.2	
Non-Property Related Income						
Interest on Cash deposited with Council	0	(50)	(50)		4.3	
Investment Funds – Dividends Rec'd	(976)	(5,273)	(5,273)		4.3	
Realised Gain on Disinvestment	0	0	0			
Other Income	0	(260)	(260)		4.3	
Total Income	(51,727)	(68,239)	(68,239)			
Property Expenditure						
Property Costs – General	364	77,125	77,125		4.4	
Total Property Expenditure	364	77,125	77,125			
Grants & Other Donations	0	24,560	24,560		4.5	
Central Support Service Charge	0	10,980	10,980			
Depreciation						
Depreciation Charge	0	139,781	110,081	(29,700)	4.6	Reduction due to the Green Hut being fully depreciated in 2019/20
Contribution from Revaluation Reserve	0	(139,781)	(110,081)	29,700	4.6	
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	(51,363)	44,426	44,426	0		

SELKIRK COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AS AT 31 MARCH 2020

	Opening Balance at 01/04/20	Projected Movement in Year	Projected Closing Balance at 31/03/21
	£	£	£
Fixed Assets			
Land & Buildings	3,900,892	(110,081)	3,790,811
Moveable Assets	1,500	0	1,500
Total Fixed Assets	3,902,392	(110,081)	3,792,311
Capital in Investment Funds			
Investment Fund Book Value	228,128	204	228,332
Unrealised Gains/(Loss)	(34,384)	0	(34,384)
Market Value	193,744	204	193,948
Current Assets			
Debtors	9,596	0	9,596
Cash deposited with SBC	50,687	(44,630)	6,057
	60,283	(44,630)	15,653
Current Liabilities			
Creditors	(1,915)	0	(1,915)
Receipts in Advance	(358)	0	(358)
	(2,273)	0	(2,273)
Net Assets	4,154,146	(154,507)	3,999,639
Funded by:			
Reserves			
Revenue Reserve	(111,530)	44,426	(67,104)
Capital Reserve	(160,616)	0	(160,616)
Revaluation Reserve	(3,882,000)	110,081	(3,771,919)
Total Reserves	(4,154,146)	154,507	(3,999,639)

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**PROPERTY PORTFOLIO PERFORMANCE FOR 2020/21
(Projected Income and Expenditure to 30 June 2020)**

Fixed Assets – Land & Buildings	Net Book Value at 31/03/20 £	Projected Depn Charge 2020/21 £	Projected Net Book Value at 31/03/21 £	Projected Rental Income 2020/21 £	Actual Property Expenditure at 30/06/20				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
The Green Hut	3,300	0	3,300	1,175	0	0	0	0	0
Town Hall Clock	0	0	0	0	0	0	0	0	0
Pant Well Monument	0	0	0	0	0	0	0	0	0
Victoria Hall Caretakers Flat	56,144	3,857	52,287	0	0	0	0	0	0
Victoria Hall	861,404	53,671	807,733	0	0	0	0	0	0
Pringle Park	0	0	0	0	0	0	0	0	0
Victoria Park Pavilion site	4,000	0	4,000	200	0	0	0	0	0
Pringle Park Play Area	0	0	0	0	0	0	0	0	0
Selkirk Golf Course	152,000	0	152,000	0	0	0	0	0	0
South Common Farm	438,536	6,463	432,073	9,600	0	0	0	500	500
Smedheugh Farm	1,080,250	19,750	1,060,500	23,500	0	0	0	0	0
Selkirk Hill Grazings	36,000	0	36,000	410	0	0	0	0	0
Linglie Farm	713,198	6,800	706,398	7,300	0	0	0	0	0
Victoria Park & Caravan Site	0	0	0	0	0	0	0	0	0
26 Market Place	31,742	3,160	28,582	4,160	0	0	(37)	0	(37)
28 Market Place	39,400	4,000	35,400	5,600	0	0	(99)	0	(99)
Selkirk Town Hall	142,618	12,380	130,238	0	0	0	0	0	0
South Common Plantations	9,000	0	9,000	0	0	0	0	0	0
Smedheugh Farm Shootings	1,000	0	1,000	200	0	0	0	0	0
Smedheugh Plantations	35,000	0	35,000	0	0	0	0	0	0
Linglie Plantations	22,500	0	22,500	0	0	0	0	0	0
Linglie Farm Shootings	3,250	0	3,250	0	0	0	0	0	0
Linglie Mast Site	88,000	0	88,000	10,311	0	0	0	0	0
South Common Farm Shootings	1,000	0	1,000	200	0	0	0	0	0

Fixed Assets – Land & Buildings	Net Book Value at 01/04/20 £	Projected Depn Charge 2020/21 £	Projected Net Book Value at 31/03/21 £	Projected Rental Income 2020/21 £	Actual Property Expenditure at 30/06/20				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
Bog Park Recreation Area	0	0	0	0	0	0	0	0	0
Shawburn Amenity Ground	40,000	0	40,000	0	0	0	0	0	0
Shawburn Toll Embankment	0	0	0	0	0	0	0	0	0
Bog Park Playground	0	0	0	0	0	0	0	0	0
Victoria Park Play Area	0	0	0	0	0	0	0	0	0
Civic Amenity Site	109,800	0	109,800	0	0	0	0	0	0
Rosebank Quarry Former Tip Site	0	0	0	0	0	0	0	0	0
Rosebank Quarry Play Area	0	0	0	0	0	0	0	0	0
Shawpark Road Development Site	32,000	0	32,000	0	0	0	0	0	0
River Ettrick Salmon Fishing Right	750	0	750	0	0	0	0	0	0
Sir Walter Scott	0	0	0	0	0	0	0	0	0
Property Expenditure - General	0	0	0	0	0	0	0	0	0
Total	3,900,892	110,081	3,790,811	62,656	0	0	(136)	500	364

Fixed Assets – Moveable Assets	Net Book Value at 31/03/20 £
Provosts Badge & Chain	0
Treasurer’s Badge & Chain	0
Baillies Badges & Chains	0
Burgess Cup	0
Burgess Roll	0
Silver Arrow Display Case	1,500
Haining Painting	0
Total	1,500

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INVESTMENTS EXTERNALLY MANAGED

Cost of Investment	Units	£
Aegon Asset Management Investment (February 2018)	168,040	181,938
Aegon Asset Management Investment (March 2018)	46,331	50,000
Aegon Asset Management Investment (August 2018)	69,335	75,000
Aegon Asset Management Disinvestment (March 2019)	(37,216)	(40,294)
Aegon Fund Rebate – (2018-2019)	290	313
Aegon Asset Management Disinvestment (June 2019)	(36,052)	(39,033)
Aegon Fund Rebate – (2019-2020)	184	204
Aegon Fund Rebate – (2020-2021)	59	55
Total Invested to 31 March 2021	210,971	228,183

Value of Investment	£
31 March 2018	231,938
30 June 2018	229,977
30 September	305,525
31 December 2018	288,700
31 March 2019	269,040
30 June 2019	233,639
30 September 2019	233,827
31 December 2019	241,751
31 March 2020	193,744
30 June 2020	208,945
Increase/(Decrease) from Total Cash Invested	(19,238)

Return on Investment from inception	Capital Return %	Total Return %
to 31 March 2018	-0.03	
to 31 March 2019	+3.86	+9.41
to 31 March 2020	-15.16	-5.98
to 30 June 2020	-8.52	+2.76