
MONITORING REPORT FOR 3 MONTHS TO 30 JUNE 2020

Report by Executive Director, Finance & Regulatory

HAWICK 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 Hawick 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 surplus of £5,921 for the year.
- 1.3 Appendix 2 provides a projected balance sheet value as at 31 March 2021. It shows a projected decrease in reserves of £58,420.
- 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 details on income and expenditure for the 2020/21 financial year. The projected net position for the year is a surplus of £5,921.

4.2 Income & Expenditure –Property Income

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

4.3 Income & Expenditure – Non-Property Related Income

- (a) The projected outturn position shows an amount of £550 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 £10,535 which is currently estimated at 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 £110 was accounted for in 2019/20 however the corresponding 118 units have been purchased in April 2020.
- (c) The servitude income of £52,000 for Pilmuir is not yet finalised or signed, however it is currently anticipated that the agreement will be finalised during 2020/21 and the income received.
- (d) A budget of £64,000 has been included in 2020/21 for income due from the sale of trees in the next phase of the tree felling at the Burgh Woodlands.

4.4 Income & Expenditure – Property Expenditure

- (a) The property expenditure to 30 June 2020 is detailed in Appendix 3 by property.
- (b) The proposed Budget for 2020/21 is shown in Appendix 1.
- (c) A budget of £56,250 has been included in 2020/21 to reflect £26,000 of tree planting costs from the first phase of tree planting in the Burgh Woodlands and a further £30,250 from the second phase.

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 24 June 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 yet paid		
Hawick Salvation Army hire of Hall for Xmas Service (recurring annual payment)	19/03/19	200
Hawick Golf Club notional rent contribution	28/05/19	9,200
Hawick in Bloom	26/11/19	1,833
Hawick Royal Albert United Football Club	24/06/20	5,000
Total Grants Approved		16,233
2020/21 Budget		51,250
<i>(Unallocated)/Overallocated Budget</i>		<i>(35,017)</i>
2021/22 Commitments		
Hawick in Bloom	26/11/19	1,888
Hawick Golf Club	28/05/19	4,600

4.6 Income & Expenditure – Depreciation Charge

The projected depreciation charge for the year is £64,341 which is less than the approved budget figure of £93,341 as the St Leonards Hut was fully depreciated in 2019/20 therefore no depreciation will be charged in 2020/21. This is not a cash transaction and is off-set by a corresponding contribution from the Revaluation Reserve at the end of the financial year.

4.7 Appendix 2 provides the balance sheet value as at 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 for 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, 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 cash held by the fund is projected to be £143,420 at 31 March 2021 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2020	137,888
Surplus for year from Income & Expenditure Statement	5,921
Net cash movement in Debtors/Creditors	0
Rebate Investment in Kames	(389)
Projected Closing Balance at 31 March 2021	143,420

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 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 their benchmark.

5.3 Integrated 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, the 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: Hawick Common Good Committee 24 June 2020.

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 2020/21**

APPENDIX 1

	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	(71,329)	(111,000)	(111,000)		4.2	
Non-Property Related Income						
Interest on Cash deposited with Council	0	(550)	(550)		4.3	
Investment Fund – Dividends Rec'd	(1,949)	(10,535)	(10,535)		4.3	
Other Income	0	(640)	(640)		4.3	
Pilmuir Servitude	0	(52,000)	(52,000)		4.3	
Sale of Timber	0	(64,000)	(64,000)		4.3	
Total Income	(73,278)	(238,725)	(238,725)			
Property Costs Detailed in Appendix 3	315	113,400	113,400		4.4	
Cost of Tree Planting	25,831	56,250	56,250		4.4	
Grants & Other Donations	0	51,250	51,250		4.5	
Central Support Service Charge	0	11,904	11,904			
Depreciation						
Depreciation Charge	0	93,341	64,341	(29,000)	4.6	Reduction due to St Leonards Hut being fully depreciated in 2019/20
Contribution from Revaluation Reserve	0	(93,341)	(64,341)	29,000	4.6	
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	(47,132)	(5,921)	(5,921)	0		

HAWICK COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AT 31 MARCH 2021

	Opening Balance at 01/04/20	Projected Movement in Year	Projected Closing Balance at 31/03/21
	£	£	£
Fixed Assets			
Land & Buildings	4,427,909	(64,341)	4,363,568
Heritable Assets	3,000	0	3,000
Feu Duties	18	0	18
Total Fixed Assets	4,430,927	(64,341)	4,366,586
Capital in Investment Funds			
Investment Fund Book Value	456,274	389	456,663
Unrealised Gains/(Loss)	(69,164)	0	(69,164)
Market Value	387,110	389	387,499
Current Assets			
Debtors	28,255	0	28,255
Cash deposited with SBC	137,888	5,532	143,420
Total Current Assets	166,143	5,532	171,675
Current Liabilities			
Creditors	(3,145)	0	(3,145)
Receipts in Advance	(11,476)	0	(11,476)
Total Current Liabilities	(14,621)	0	(14,621)
Net Assets	4,969,559	(58,420)	4,911,139
Funded by: Reserves			
Revenue Reserve	(148,625)	(5,921)	(154,546)
Capital Reserve	(525,842)	0	(525,842)
Revaluation Reserve	(4,295,092)	64,341	(4,230,751)
Total Reserves	(4,969,559)	58,420	(4,911,139)

HAWICK COMMON GOOD FUND

**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 Deprec'n 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
	£	£	£	£	£	£	£	£	£
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	66,000	0	66,000	9,200	0	0	0	0	0
Acreknowe Reservoir (Part)	0	0	0	0	0	0	0	0	0
Williestruther Loch	5,700	0	5,700	400	0	0	0	0	0
Williestruther Cottage	193,998	6,000	187,998	6,500	0	0	0	0	0
Lothian Street Store	17,459	540	16,919	2,550	0	0	(28)	0	(28)
Common Haigh Car Park	82,000	0	82,000	10,770	0	0	0	0	0
Hawick Moor Racecourse & Bldgs	47,700	2,300	45,400	700	(400)	0	0	0	(400)
Hawick Moor Shootings	1,500	0	1,500	300	0	0	0	0	0
Woodend Grazings (West)	1,800	0	1,800	195	0	0	0	0	0
Millpath Stables	27,975	1,025	26,950	0	0	0	0	0	0
Ca'Knowe Monument	0	0	0	0	0	0	0	0	0
Volunteer Park & Stand	404,778	28,225	376,553	1,750	0	0	0	0	0
Hawick Burgh Woodlands	318,000	0	318,000	0	(2,745)	0	0	0	(2,745)
Woodend Grazings (East)	1,500	0	1,500	195	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	0	0	0	0	0
Haggis Ha/Burnflat Wall	0	0	0	0	0	0	0	0	0
Williestruther Path	0	0	0	0	0	0	0	0	0
100 Stairs and Adjacent Land	-	0	0	0	0	0	0	0	0
Property Expenditure General		-	-	0	0	0	0	0	0
General Sub Total	1,169,160	38,090	1,131,070	32,365	(3,145)	0	(28)	0	(3,173)

Fixed Assets – Land & Buildings	Net Book Value at 31/03/20 £	Projected Deprec'n 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 £
Pilmuir									
Pilmuir Farm	1,992,332	7,667	1,984,665	45,000	316	0	0	0	316
Pilmuir Farm Cottage	194,858	5,142	189,716	7,200	0	0	0	0	0
Pilmuir Farm Shed & Silage Pit	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	0	0	0	0	0
Pilmuir Sub Total	2,187,190	12,809	2,174,381	52,200	316	0	0	0	316
St Leonards									
St Leonards Farmhouse Buildings	278,324	6,675	271,649	9,600	908	0	0	0	908
St Leonards Cottage & Park	213,231	6,767	206,464	8,472	71	0	0	0	71
St Leonards Hut	3,000	0	3,000	0	2,159	34	0	0	2,193
St Leonards Grazings (Lot 1B)	290,000	0	290,000	7,500	0	0	0	0	0
St Leonards Horse Gallop	20,000	0	20,000	600	0	0	0	0	0
St Leonards Grazings (Lot 1A)	267,000	0	267,000	0	0	0	0	0	0
		-	-	-		0	0	0	0
St Leonards Sub Total	1,071,555	13,442	1,058,113	26,172	3,138	34	(28)	0	3,172
Total	4,427,905	64,341	4,363,564	111,007	309	34	(28)	0	315

Fixed Assets – Moveable Assets	Net Book Value at 31/03/21 £
Official Robes	0
Pictures in Municipal Buildings	0
Provost's Chain	0
Feu Duty Redemptions	18
Hizzie Leathers	3,000
James Wilson Statue	0
Total	3,018

HAWICK COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED

Cost of Investment	Units	£
Aegon Asset Management Investment (February 2018)	420,634	455,420
Aegon Fund Rebate(2018-2019)	430	465
Aegon Fund Rebate (2019-2020)	349	389
Aegon Fund Rebate (2020-2021)	118	110
Total Invested to 31 March 2021	421,531	456,384

Value of Investment	£
31 March 2018	453,948
30 June 2018	451,256
30 September 2018	452,981
31 December 2018	428,037
31 March 2019	459,044
30 June 2019	466,824
30 September 2019	467,199
31 December 2019	483,031
31 March 2020	387,110
30 June 2020	417,484
Unrealised Gain/(Loss) on Investment	(38,900)

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