Scottish Borders COUNCIL

MONITORING REPORT FOR 12 MONTHS TO 31 MARCH 2020 AND PROPOSED BUDGET FOR FINANCIAL YEAR 2020/21

Report by the Executive Director, Finance & Regulatory

KELSO COMMON GOOD FUND SUB-COMMITTEE

15 September 2020

1 PURPOSE AND SUMMARY

1.1 **This report provides the details of the income and expenditure for the Kelso Common Good Fund for the year 2019/20 including balance sheet values as at 31 March 2020 and proposed budget for 2020/21.**

1.2 Appendix 1 provides the actual income and expenditure for 2019/20. This shows a surplus of £9,593 for the year, which reflects the surplus figure reported at the 19 November 2019 meeting.

1.3 Appendix 2 provides an actual balance sheet as at 31 March 2020. It shows an increase in the reserves of £191,749, due to the revaluation of properties offset slightly by unrealised loss on the Aegon Asset Management (formerly Kames Capital) Investment Fund.

1.4 Appendix 3 provides a breakdown of the property portfolio showing the effect of the revaluation.

1.5 Appendix 4 shows the value of the Aegon Asset Management Investment Fund to 31 March 2020.

2 RECOMMENDATIONS

2.1 It is recommended that the Common Good Fund Sub-Committee:

(a) Notes the actual income and expenditure for 2019/20 in Appendix 1;

(b) Agrees the proposed budget for 2020/21 as shown in Appendix 1;

(c) Notes the final balance sheet value as at 31 March 2020 in Appendix 2;

(d) Notes the summary of the property portfolio in Appendix 3; and

(e) Notes the current position of the investment in 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 31 March 2020 and proposed budgets for 2020/21. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2021.

4 FINANCIAL POSITION 2019/20

4.1 Appendix 1 provides detail on income and expenditure for the 2019/20 financial year, which resulted in a surplus of £9,593, as well as the proposed budget for 2020/21.

4.2 **Income & Expenditure – Property Income**

There is no rental income from the properties owned by the Common Good.

4.3 **Income & Expenditure – Non-Property Related Income**

(a) The final outturn position shows an amount of £150 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 £12,893 which is less than the overall 5% target and the monthly distribution profile projections provided by Aegon. This is as a result of the market value dropping due to the impact of the COVID-19.

(b) As the full economic impact of COVID-19 is not yet known the dividend budget has been reduced to reflect 2.5% compared to the target of 5%. The position will be monitored closely with Aegon Asset Management.

(c) Included within other income for the year is a rebate from Kames Capital (£226), which has been re-invested to purchase an additional 202 units. Rebate income received in March of £64 has been accounted for within income but the corresponding 69 units were not purchased until April 2020.

4.4 **Income & Expenditure – Property Expenditure**

There are no Property Expenses on the Kelso Common Good properties; it is recommended a budget of £200 is set for 2020/21.

4.5 **Income & Expenditure – Grants & Other Donations**

The grants and other donations approved and distributed to 31 March 2020 are shown below:

Grant Recipients	Approved	£
Approved and Paid to 31 March 2020		
Kelso & District Amenity Society	10/06/2019	495
Woodend Garden Association	10/06/2019	1,090
Kelso Over 60s Club	19/11/2019	400
Total Paid to 31 March 2020		**1,985**
Budget 2019/20		**3,100**
(Unallocated)/Overallocated Budget		**(*1,115*)**

4.6 **Income & Expenditure – Depreciation Charge**

The depreciation charge for the year is £59,129, an increase of £16,629 due to the revaluation of the properties. 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 actual balance sheet value as at 31 March 2020, the actual 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 five years as part of the Council's rolling programme. The fixed assets were revalued at 1 April 2019 resulting in an increase of £283,300. Appendix 3 shows the difference in value from 31 March 2019 to 31 March 2020 for the individual properties.

4.9 **Balance Sheet – Investment Fund**

(a) The fund has a 15.16% 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 – (5.98)% since investment in February 2018. As a result of the COVID-19 global markets across most asset classes have seen a drop, resulting in an overall negative return for 2019/20. Markets have however seen a bounce back during April, May and June which has resulted in some of the unrealised loss being negated.

(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 £38,854 at 31 March 2021 and is detailed below:

Cash Balance	**£**
Opening Balance at 1 April 2019	**29,324**
Surplus for year from Income & Expenditure Statement	9,593
Net Cash Movement in Debtors/Creditors	163
Rebate Investment in Aegon	(226)
Closing Balance as at 31 March 2020	**38,854**

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 the 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 Chief Legal Officer (including as Monitoring 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: Kelso Common Good Committee 19 November 2019

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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APPENDIX 1

KELSO COMMON GOOD FUND

ACTUAL INCOME AND EXPENDITURE 2019/20

	Actuals as at 31/03/20 £	Full Year Approved Budget 2019/20 £	Over/ (Under) Spend 2019/20 £	Proposed Budget 2020/21 £	Para Ref	Commentary
Non-Property Related Income						
Interest on Cash deposited with Council	(150)	(250)	100	(150)	4.3	
Investment Fund – Dividends Rec'd	(12,893)	(14,130)	1,237	(6,120)	4.3	Estimate 2.5% return
Other Income	(290)	(270)	(20)	(290)	4.3	
Total Income	**(13,333)**	**(14,650)**	**1,317**	(6,560)		
Property Expenditure						
Property Costs – General	0	200	(200)	200	4.4	
Total Property Expenditure	**0**	**200**	**(200)**	**200**		
Grants & Other Donations	**1,985**	**3,100**	**(1,115)**	**2,175**	4.5	
Central Support Service Charge	**1,755**	**1,755**	**0**	**1,808**		
Depreciation						
Depreciation Charge	59,129	42,500	16,629	59,129	4.6	Actual based on 1/4/19
Contribution from Revaluation Reserve	(59,129)	(42,500)	(16,629)	(59,129)	4.6	revaluation
Net impact of Depreciation on Revenue Reserve	**0**	**0**	**0**	**0**		
Total Net (Surplus)/Deficit for year	**(9,593)**	**(9,595)**	**2**	**(2,377)**		

APPENDIX 2

KELSO COMMON GOOD FUND

BALANCE SHEET VALUE AT 31 MARCH 2020

	Opening Balance at 01/04/19	Movement in Year	Closing Balance at 31/03/20	Projected Balances at 31/03/21
	£	£	£	£
Fixed Assets				
Land & Buildings	694,200	224,171	918,371	859,242
Moveable Assets	19,080	0	19,080	19,080
Feu Duties	0	0	0	0
Total Fixed Assets	**713,280**	**224,171**	**937,451**	**878,322**
Capital in Investment Funds				
Investment Fund Book Value	264,820	226	265,046	265,272
Unrealised Gains/(Loss)	1,854	(42,015)	(40,161)	(40,161)
Market Value	**266,674**	**(41,789)**	**224,885**	**225,111**
Current Assets				
Debtors	1,204	(163)	1,041	1,041
Cash deposited with SBC	29,324	9,530	38,854	41,005
Total Current Assets	**30,528**	**9,367**	**39,895**	**42,046**
Current Liabilities				
Creditors	0	0	0	0
Receipts in Advance	0	0	0	0
Total Current Liabilities	**0**	**0**	**0**	**0**
Net Assets	**1,010,482**	**191,749**	**1,202,231**	**1,145,479**
Funded by:				
Reserves				
Revenue Reserve	(49,236)	(9,593)	(58,829)	(61,206)
Capital Reserve	(247,966)	42,015	(205,951)	(205,951)
Revaluation Reserve	(713,280)	(224,171)	(937,451)	(878,322)
Total Reserves	**(1,010,482)**	**(191,749)**	**(1,202,231)**	**(1,145,479)**

APPENDIX 3

KELSO COMMON GOOD FUND
PROPERTY PORTFOLIO PERFORMANCE FOR 2019/20
(Actual Income and Expenditure to 31 March 2020)

Fixed Assets – Land & Buildings	**Net Book Value at 31/03/19**	**Revaluatn Adjust as at 01/04/19**	**Depn Charge 2019/20**	**Net Book Value at 31/03/20**	**Actual Rental Income 2019/20**	**Actual Property Expenditure at 31/03/20**				
						Repairs	Rates, Water & Power	Ins	Other	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Tait Hall	687,500	285,500	(59,129)	913,871	0	0	0	0	0	**0**
Pinnaclehill Woodlands	6,700	(2,200)	0	4,500	0	0	0	0	0	**0**
Prop & Est Service- Time Chg	0		0	0	0	0	0	0	0	**0**
Property Expenditure (Summary)	0		0	0	0	0	0	0	0	**0**
Total	**694,200**	**283,300**	**(59,129)**	**918,371**	**0**	**0**	**0**	**0**	**0**	**0**

Fixed Assets – Moveable Assets	**Net Book Value at 31/03/20**
	£
Silver Bowl & Salver	19,080
Total	**19,080**

APPENDIX 4

KELSO COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED

Cost of Investment	Units	£
Aegon Asset Management Investment (February 2018)	225,870	244,550
Aegon Asset Management Investment (September 2018)	18,490	20,000
Aegon Fund Rebate – (2018-2019)	250	270
Aegon Fund Rebate – (2019-2020)	202	226
Total Invested to 31 March 2020	**244,812**	**265,046**

Value of Investment	£
31 March 2018	243,760
30 June 2018	242,314
30 September 2018	263,151
31 December 2018	248,661
31 March 2019	266,674
30 June 2019	271,193
30 September 2019	271,411
31 December 2019	280,609
31 March 2020	224,885
Increase/(Decrease) from Total Cash Invested	**(40,161)**

Return on Investment from inception	Capital Return %	Total Return %
to 31 March 2018	-0.30	
to 31 March 2019	+3.86	+9.41
to 31 March 2020	-15.16	-5.98