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

**Report by Executive Director, Finance & Regulatory**

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### **LAUDER COMMON GOOD FUND SUB-COMMITTEE**

**29 SEPTEMBER 2020**

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

- 1.1 This report provides the details of the income and expenditure for the Lauder 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 deficit of £7,339 for the year, which varies from the projected deficit figure reported at the 19 February 2020 meeting, due to a reduction in grant income.
- 1.3 Appendix 2 provides an actual balance sheet as at 31 March 2020. It shows an increase in the reserves of £265,568, 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 details on income and expenditure for the 2019/20 financial year, which resulted in a deficit of £7,339, as well as the proposed budget for 2020/21.

#### **4.2 Income & Expenditure – Property Income**

Rental income for 2019/20 is shown on Appendices 1 & 3, with Appendix 3 detailing the annual rental income by individual property.

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

- (a) The final outturn position shows an amount of £208 relating to interest paid on cash held by SBC. Also included are dividends from the Common Good Funds investment in Aegon Asset Management amounting to £12,113 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 (£211), which has been re-invested to purchase an additional 190 units. Rebate income received in March of £60 has been accounted for within income but the corresponding 64 units were not purchased until April 2020.

#### **4.4 Income & Expenditure – Misc Income**

An additional grant from Penmanshiel Compensatory Replacement Grant Scheme has been received to cover the costs of the planting of trees at Lauder Grazings Amenity Woodlands.

#### **4.5 Income & Expenditure – Property Expenditure**

- (a) The property expenditure to 31 March 2020 is detailed in Appendix 3 by property.
- (b) The proposed budget for 2020/21 is shown in Appendix 1.

#### 4.6 Income & Expenditure – Misc Expenditure

An additional expenditure line has been added to reflect the approval on 19 June 2019 of the planting of trees at Lauder Grazings Amenity Woodlands. This expenditure is funded by the Penmanshiel Compensatory Replacement Grant Scheme as noted above in 4.4. The costs of the planting however were not reflected at the time the income was previously reflected in the budget for the Common Good Fund.

#### 4.7 Income & Expenditure – Grants & Other Donations

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

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
<b>Approved and Paid to 31 March 2020</b>		
Lauder Golf Club	19/06/2019	5,700
Lauder Community Leisure Centre –	14/11/2018	5,935
Lauder Community Council	31/10/2019	1,000
Lauder Scout Group	19/02/2020	2,300
<b>Total Paid to 31 March 2020</b>		<b>14,935</b>
<b>Budget 2019/20</b>		<b>15,000</b>
<b><i>(Unallocated)/Overallocated Budget</i></b>		<b><i>(65)</i></b>

#### 4.8 Income & Expenditure – Depreciation Charge

The depreciation charge for the year is £26,333, an increase of £14,840 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.

4.9 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.

#### 4.10 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 £338,714. Appendix 3 shows the difference in value from 31 March 2019 to 31 March 2020 for the individual properties.

#### 4.11 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.

#### 4.12 Balance Sheet – Long Term Debtors

The fund has no Long Term Debtors due to the final repayment instalment being paid on the Loan to Lauder Golf Club, which is now fully repaid.

#### 4.13 Balance Sheet – Cash Balance

The cash held by the fund is £34,821 at 31 March 2020 and is detailed below:

Cash Balance	£
<b>Opening Balance at 1 April 2019</b>	<b>38,661</b>
<b><i>Repayment of Principal (Long Term Debtors)</i></b>	
Lauder Golf Club Loan	2,905
Deficit for year from Income & Expenditure Statement	(7,339)
Net movement in debtors / creditors	806
Rebate Investment in Aegon	(212)
<b>Closing Balance at 31 March 2020</b>	<b>34,821</b>

#### 4.14 Balance Sheet – Capital Reserve

The projections for the Capital Reserves include the unrealised loss for the Aegon 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 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, 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**

**Signature .....**

**Executive Director Finance & Regulatory**

### Author(s)

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### Background Papers:

**Previous Minute Reference:** Lauder Common Good Committee 19 February 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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## LAUDER COMMON GOOD FUND

## ACTUAL INCOME AND EXPENDITURE 2019/20

	Actuals at 31/03/20	Full Year Approved Budget 2019/20	Over/ (Under) Spend 2019/20	Proposed Budget 2020/21	Para Ref	Commentary
	£	£	£	£		
<b>Property Income</b>						
Rentals Receivable	(10,997)	(11,015)	18	(11,015)	4.2	
<b>Non-Property Related Income</b>						
Interest on Cash deposited with Council	(208)	(190)	(18)	(200)	4.3	
Income from Other Bodies	(273)	(252)	(21)	(270)	4.3	
Investment Funds – Dividends Rec'd	(12,113)	(13,850)	1,737	(5,750)	4.3	Estimate 2.5% return
Misc income – Servitude	(1,635)	(7,000)	5,365	0	4.4	Potential grant Penmanshiel
Misc Income - Wayleave	(614)	(0)	(614)	0		Farm fund
<b>Total Income</b>	<b>(25,840)</b>	<b>(32,307)</b>	<b>6,467</b>	<b>(17,235)</b>		
<b>Property Costs – General</b>	<b>5,001</b>	<b>3,500</b>	<b>1,501</b>	<b>3,500</b>	4.5	
<b>Tree Planting – Lauder Grazings</b>	<b>2,836</b>	<b>5,374</b>	<b>(2,538)</b>	<b>0</b>	4.6	Funded by grant above
<b>Grants &amp; Other Donations</b>	<b>14,935</b>	<b>15,000</b>	<b>(65)</b>	<b>7,050</b>	4.7	
<b>Central Support Service Charge</b>	<b>10,407</b>	<b>10,407</b>	<b>0</b>	<b>10,719</b>		
<b>Depreciation</b>						
Depreciation Charge	26,333	11,493	14,840	26,333	4.8	Actual based on 1/4/19
Contribution from Revaluation Reserve	(26,333)	(11,493)	(14,840)	(26,333)		revaluation
<b>Net impact of Depreciation on Revenue Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Total Net (Surplus)/Deficit for year</b>	<b>7,339</b>	<b>1,974</b>	<b>5,365</b>	<b>4,034</b>		

## LAUDER COMMON GOOD FUND

## BALANCE SHEET VALUE AS AT 31 MARCH 2020

	Opening Balance at 01/04/19	Movement in Year	Closing Balance at 31/03/20	Projected Closing Balances at 31/03/21
	£	£	£	£
<b>Fixed Assets</b>				
Land & Buildings	981,635	312,381	1,294,016	1,267,683
Heritable Assets	0	0	0	0
<b>Total Fixed Assets</b>	<b>981,635</b>	<b>312,381</b>	<b>1,294,016</b>	<b>1,267,683</b>
<b>Capital in Investment Funds</b>				
Investment Fund Book Value	248,825	212	249,037	249,249
Unrealised Gains/(Loss)	1,724	(39,474)	(37,750)	(37,750)
<b>Market Value</b>	<b>250,549</b>	<b>(39,262)</b>	<b>211,287</b>	<b>211,499</b>
<b>Long Term Debtors</b>				
Loan to Lauder Golf Club	<b>2,905</b>	<b>(2905)</b>	<b>0</b>	<b>0</b>
<b>Current Assets</b>				
Debtors	8,508	443	8,951	8,951
Cash deposited with SBC	38,661	(3,840)	34,821	30,575
<b>Total Current Assets</b>	<b>47,169</b>	<b>(3,397)</b>	<b>43,772</b>	<b>39,526</b>
<b>Current Liabilities</b>				
Creditors	(128)	39	(89)	(89)
Receipts in Advance	(592)	(1,288)	(1,880)	(1,880)
<b>Total Current Liabilities</b>	<b>(720)</b>	<b>(1,249)</b>	<b>(1,969)</b>	<b>(1,969)</b>
<b>Net Assets</b>	<b>1,281,538</b>	<b>265,568</b>	<b>1,547,106</b>	<b>1,516,739</b>
<b>Funded by: Reserves</b>				
Revenue Reserve	(43,178)	7,339	(35,839)	(31,805)
Capital Reserve	(258,374)	39,474	(218,900)	(218,900)
Revaluation Reserve	(979,986)	(312,381)	(1,292,367)	(1,266,034)
<b>Total Reserves</b>	<b>(1,281,538)</b>	<b>(265,568)</b>	<b>(1,547,106)</b>	<b>(1,516,739)</b>

APPENDIX 3

**LAUDER 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	Oth er	Total
	£	£	£	£	£	£	£	£	£	£
Lauder Cemetery	0	0	0	0	0	0	0	0	0	0
Croft Road Play Area (East Side)	0	0	0	0	0	0	0	0	0	0
Lauder War Memorial	0	0	0	0	0	0	0	0	0	0
Old Castleriggs Grazings	7,000	1,000	0	8,000	390	0	0	0	0	0
Raiths Acre & Chesters Acre	12,000	0	0	12,000	235	0	0	0	0	0
Lauder Golf Course	72,500	2,800	0	75,300	0	0	0	0	0	0
Lauder Town Hall	37,550	39,750	17,040	60,260	0	257	1,346	(126)	19	1,496
Lauder Common Farm	795,285	259,714	2,633	1,052,366	8,782	2,045	0	0	0	2,045
Lauder Common Farm Shootings	12,000	(6,000)	0	6,000	1,200	0	0	0	0	0
Lauder Common Plantations	5,000	11,000	0	16,000	0	0	0	0	0	0
Land Refuse Tip (1) Grazings	1,500	0	0	1,500	0	0	0	0	0	0
Land Refuse Tip (2) Grazings	1,500	250	0	1,750	0	0	0	0	0	0
Calfward Park Grazings	6,500	500	0	7,000	390	0	0	0	0	0
Burnmill Woodland	0	3,700	0	3,700	0	0	0	0	0	0
Lauder Library (Old Jail)	16,200	20,800	6,660	30,340	0	0	0	0	0	0
Old Castleriggs Recreation Grnd	0	0	0	0	0	0	0	0	0	0
Land at Lauder Village Hall	11,500	4,000	0	15,500	0	0	0	0	0	0
Land at Lauder Public Toilets	600	200	0	800	0	0	0	0	0	0
Pavilion Site	2,500	1,000	0	3,500	0	0	0	0	0	0
Lauder Play Park	0	0	0	0	0	0	0	0	0	0
Lauder Recreation Park	0	0	0	0	0	0	0	0	0	0
Lauder Hill Woodland	0	0	0	0	0	2,836	0	0	0	2,836
Lauder Hill	0	0	0	0	0	1,332	0	0	0	1,332
Property Expenditure (Summary)	0	0	0	0	0	128	0	0	0	128
<b>Total</b>	<b>981,635</b>	<b>338,714</b>	<b>26,333</b>	<b>1,294,016</b>	<b>10,997</b>	<b>6,598</b>	<b>1,346</b>	<b>(126)</b>	<b>19</b>	<b>7,837</b>



**Fixed Assets –  
Moveable Assets**

Charter  
Snuff Mull  
Certificate of Matriculation, Royal Burgh of Lauder 1938  
Burgess Roll (2)  
Map of Burges Acres, Royal Burgh of Lauder 1803  
Set of Imperial Weight and Measures  
Brass Yard Stick 1824  
Burgh of Lauder Seal  
Provosts Chain  
Provosts Robes  
Silver Punch Ladle o/w Toddy Ladle 1831

## LAUDER COMMON GOOD FUND

## INVESTMENTS EXTERNALLY MANAGED

<b>Cost of Investment</b>	<b>Units</b>	<b>£</b>
Aegon Asset Management Investment (February 2018)	229,584	248,572
Aegon Fund Rebate – (2018-2019)	235	254
Aegon Fund Rebate – (2019-2020)	190	211
<b>Total Invested to 31 March 2020</b>	<b>230,009</b>	<b>249,037</b>

<b>Value of Investment</b>	<b>£</b>
31 March 2018	248,572
30 June 2018	246,298
30 September 2018	247,240
31 December 2018	233,625
31 March 2019	250,549
30 June 2019	254,795
30 September 2019	255,000
31 December 2019	263,641
31 March 2020	211,287
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>(37,750)</b>

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