Scottish Borders COUNCIL

Monitoring Report for 3 Months to 30 June 2015

Report by the Chief Financial Officer

Kelso Common Good Sub Committee

16 September 2015

1 PURPOSE AND SUMMARY

1.1 **This report provides the details of the income and expenditure for the Kelso Common Good Fund for the 3 months to 30 June 2015 and full year projected out-turn for 2015/16 and projected balance sheet values to 31 March 2016.**

1.2 Appendix 1 provides a projected Income and Expenditure position. This shows a projected surplus of £2,293.

1.3 Appendix 2 provides a projected Balance Sheet to 31 March 2016. It shows a projected decrease in the reserves of £40,207.

1.4 Appendix 3 provides a breakdown of the property portfolio showing actual Income and Expenditure to 30 June 2015.

1.5 Appendix 4 shows the value of the Newton Fund to 30 June 2015.

2 RECOMMENDATIONS

2.1 **It is recommended that the Common Good Sub Committee:**

(a) Agrees the projected Income and Expenditure for 2015/16 in Appendix 1.

(b) Notes the projected Balance Sheet value to 31 March 2016 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 in Appendix 4.

3 BACKGROUND

3.1 This report provides the Committee with financial information for the period to 30 June 2015 and projections to 31 March 2016. The report also contains a projected balance sheet for the Common Good Fund to 31 March 2016.

4 FINANCIAL POSITION 2014/15

4.1 Appendix 1 provides detail on income and expenditure for the 2015/16 financial year. The projected net position for the year is a surplus of £2,293 assuming full expenditure of the grants and donations budget of which £1,500 remains to be allocated.

4.2 **Income & Expenditure – Rental Income**
There is no Rental Income due from the Kelso Common Good properties.

4.3 **Income & Expenditure – Non-Property Related Income**
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 expected to be around 0.4%.

4.4 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February. The proposed budget for 2015/16 is based on a distribution of 2.5% which will be subject to the overall performance of the fund.

4.5 **Income & Expenditure – Property Expenditure**
The proposed budget for 2015/16 includes £1,000 for wood cutting at Pinnaclehill and £500 for general expenses.

4.6 **Income & Expenditure – Grants & Other Donations**
The grants and other donations distributed and committed to 30 June 2015 are shown below. There are currently no other outstanding commitments.

Grant Recipients	Approved	£
Approved and Paid to 30 June 2015		0
Total Paid to 30 June 2015		**0**
2015/16 Budget		**1,500**
Budget Remaining		**1,500**

4.7 **Income & Expenditure – Depreciation Charge**
The depreciation charge is projected to be £42,500 based on the revaluation of the properties at 1 April 2014. This is not a cash transaction.

4.8 Appendix 2 provides the balance sheet value to 31 March 2015 and the projected balance at 31 March 2016.

4.9 **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 2014. Appendix 3 shows the values of the individual properties at 31 March 2015, projected depreciation charges 2015/16 and projected value at 31 March 2016.

4.10 **Balance Sheet – Newton Investment**

a) With the current uncertainties in financial markets worldwide caused by the Greek debt crises, speculation over possible interest rate rises in the US and the downturn in the growth rate of the Chinese economy, Global markets have proven to be very volatile in the second quarter of 2015.

b) This has resulted in a downturn across financial markets, which has averaged 5%. Against this background, information from Newton shows an overall performance reduction of 2.76% indicating a reduction in asset value but a lower level of relative performance reduction compared to the wider market over the quarter. The Newton Fund due to its remit of "capital preservation" has therefore been impacted by market fluctuations to a lesser extent than other funds. It should again be noted that these investments are long term investments and individual quartile performance should not be taken in isolation but must be viewed over the longer term. Newton's have action plans in place and as at the end July recovered 0.8% of the second quarter reduction. They believe the overall objective of the fund to return LIBOR+4% over a 5 year average is still achievable and there is no reason to change the strategy adopted at this point.

c) The projections include an unrealised profit of £5,237 for the Newton Fund Investment as at 30 June 2015. Appendix 4 shows the performance of the fund since inception.

4.11 **Balance Sheet – Cash Balance**

The cash held by the fund is projected to be £41,527, an in year projected increase of £2,293. The projected cash movement for 2015/16 is as follows:

Cash Balance	**£**
Opening Balance at 1 April 2015	**39,234**
Projected Surplus for year from Income & Expenditure Statement	2,293
Projected Closing Balance at 31 March 2016	**41,527**

4.12 **Balance Sheet – Capital Reserve**

The projections for the Capital Reserves include the unrealised profits for the Newton Fund as at 30 June 2015.

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 Newton 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 **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 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, 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 comments have been incorporated into this report.

Approved by

David Robertson **Signature .....**
Chief Financial Officer

Author(s)

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Background Papers:
Previous Minute Reference:

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APPENDIX 1

KELSO COMMON GOOD FUND

INCOME AND EXPENDITURE 2015/16

	Actuals at 30/06/15 £	Full Year Approved Budget 2015/16 £	Full Year Projected Out-turn £	Full Year Projected Over/ (Under) Spend £	Para Ref	Commentary
Property Income						
Rentals Receivable	0	0	0	0		
Non-Property Related Income						
Interest on Cash deposited with Council	0	(125)	(125)	0	4.3	Calculated at 0.4%
Newton Fund Investment – Dividends Rec'd	0	(6,000)	(6,000)	0	4.4	Calculated at 2.5%
Other Income	0	0	0	0		
Total Income	**0**	**(6,125)**	**(6,125)**	**0**		
Property Expenditure						
Property Costs – General	0	1,500	1,500	0	4.5	£1k Wood Cutting Pinnaclehill
Total Property Expenditure	**0**	**1,500**	**1,500**	**0**		
Grants & Other Donations	**0**	**1,500**	**1,500**	**0**	4.6	Nil approved to date
Running Costs						
Central Support Service Charge	0	1,645	1,645	0		
SBC Grant towards Service Charge	0	(813)	(813)	0		
Net Running Costs	**0**	**832**	**832**	**0**		
Depreciation						
Depreciation Charge	0	42,500	42,500	0		
Contribution from Revaluation Reserve	0	(42,500)	(42,500)	0		
Net impact of Depreciation on Revenue Reserve	**0**	**0**	**0**	**0**		
Total Net (Surplus)/Deficit for year	**0**	**(2,293)**	**(2,293)**	**0**		

APPENDIX 2

KELSO COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AS AT 31 MARCH 2016

	Opening Balance at 01/04/15 £	Projected Movement in Year £	Projected Balance at 31/03/16 £
Fixed Assets			
Land & Buildings	864,200	(42,500)	821,700
Moveable Assets	19,080	0	19,080
Feu Duties	0	0	0
Total Fixed Assets	**883,280**	**(42,500)**	**840,780**
Capital in Newton Investment Fund			
Investment in Newton Fund	246,112	0	246,112
Unrealised Gains/(Loss)	12,587	0	12,587
Market Value	**258,699**	**0**	**258,699**
Current Assets			
Debtors	0	0	0
Cash deposited with SBC	39,234	2,293	41,527
	39,234	**2,293**	**41,527**
Current Liabilities			
Creditors	0	0	0
Receipts in Advance	0	0	0
	0	**0**	**0**
Net Assets	**1,181,213**	**(40,207)**	**1,141,006**
Funded by:			
Reserves			
Revenue Reserve	(39,234)	(2,293)	(41,527)
Capital Reserve	(258,699)	0	(258,699)
Revaluation Reserve	(883,280)	42,500	(840,780)
Total Reserves	**(1,181,213)**	**40,207**	**(1,141,006)**

APPENDIX 3

KELSO COMMON GOOD FUND

PROPERTY PORTFOLIO PERFORMANCE FOR 2015/16
(Actual Income and Expenditure to 30 June 2015)

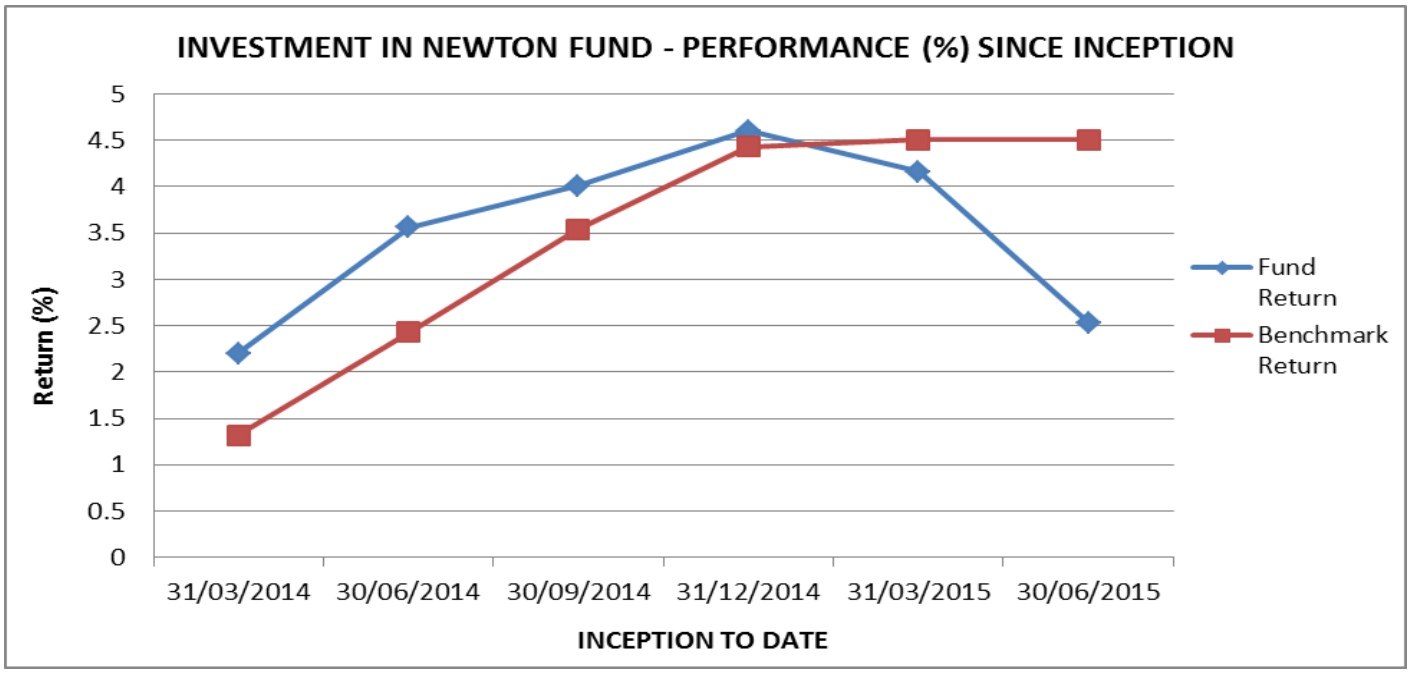
Fixed Assets	**Net Book Value at 31/03/15 £**	**Projected Depn Charge 2015/16 £**	**Projected Net Book Value at 31/03/16 £**	**Projected Rental Income 2015/16 £**	**Actual Property Expenditure at 30/06/15**				
					Repairs £	Rates, Water & Power £	Ins £	Other £	**Total £**
Tait Hall	857,500	42,500	815,000	0	0	0	0	0	**0**
Pinnaclehill Woodlands	6,700	0	6,700	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	**864,200**	**42,500**	**821,700**	**0**	**0**	**0**	**0**	**0**	**0**

APPENDIX 4

KELSO COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	72,185	134,964
17 January 2014	20,000	37,910
24 January 2014	19,780	37,345
3 February 2014	19,061	35,893
Total Invested to 30 June 2015	**131,026**	**246,112**

Value of Investment	£
31 March 2015	258,699
30 June 2015	251,349
30 September 2015	
31 December 2015	
31 March 2016	
Increase/(Decrease) from Total Cash Invested	**5,237**

Dividends are due to be paid out in September 2015 & February 2016.