
MONITORING REPORT FOR 6 MONTHS TO 30 SEPTEMBER 2020

Report by Executive Director, Finance & Regulatory KELSO COMMON GOOD FUND SUB-COMMITTEE

10 November 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 six months to 30 September 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 £948 for the year, which is due to the proposed increase in the budget for Grants and Other Donations.
- 1.3 Appendix 2 provides a projected balance sheet value as at 31 March 2021. It shows a projected decrease in reserves of £60,077.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing projected rental income for 2020/21 and actual property expenditure to 30 September 2020.
- 1.5 Appendix 4 shows the value of the Aegon Asset Management Investment Fund to 30 September 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 September 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 £948.

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 projected 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 £6,120 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) Included within other income is a rebate from Aegon Asset Management of £60 which, along with the £64 received in March 2020, has been re-invested to purchase an additional 120 units.

4.4 Income & Expenditure – Property Expenditure

(a) There are no Property Expenses on the Kelso Common Good properties.

(b) The proposed budget for 2020/21 is shown in Appendix 1.

4.5 Income & Expenditure – Grants & Other Donations

The grants and other donations approved and distributed to 30 September 2020 are shown below:

Grant Recipients	Approved	£
Approved and Paid to 30 September 2020		0
Total Paid to 31 March 2021		0
Approved but not yet paid River Tweed Salmon Fishing Museum	15/09/20	4,624
Proposed Budget 2020/21		5,500
(Unallocated)/Overallocated Budget		(876)

- (a) To allow for the payment of the grant approved on 15/09/2020 and the possibility of other grant applications, it is proposed to increase the budget to £5,500.

4.6 **Income & Expenditure – Depreciation Charge**

The projected depreciation charge for the year is £59,129. 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**

The fund has a 7.91% 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 4.83% since investment in February 2018.

4.10 **Balance Sheet – Cash Balance**

The cash held by the fund is projected to be £37,680 at 31 March 2021 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2020	38,854
Projected Surplus/(Deficit) for year from Income & Expenditure Statement	(948)
Net Cash Movement in Debtors/Creditors	0
Rebate Investment in Aegon	(226)
Projected Closing Balance as at 31 March 2021	37,680

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 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 15 September 2020

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

	Actuals at 30/09/20	Full Year Approved Budget 2020/21	Full Year Projected Out-turn 2020/21	Full Year Projected Over/(Under) Spend 2020/21	Para Ref
	£	£	£	£	
<i>Non-Property Related Income</i>					
Interest on Cash deposited with Council	(0)	(150)	(150)		4.3
Investment Fund – Dividends Rec'd	(4,910)	(6,120)	(6,120)		4.3
Other Income	(60)	(290)	(290)		4.3
Total Income	(4,970)	(6,560)	(6,560)		
<i>Property Expenditure</i>					
Property Costs – General	0	200	200		4.4
Total Property Expenditure	0	200	200		
Grants & Other Donations	0	2,175	5,500	3,325	4.5
Central Support Service Charge	1,808	1,808	1,808		
<i>Depreciation</i>					
Depreciation Charge	0	59,129	59,129		4.6
Contribution from Revaluation Reserve	0	(59,129)	(59,129)		4.6
Net impact of Depreciation on Revenue Reserve	0	0	0		
Total Net (Surplus)/Deficit for year	(3,162)	(2,377)	948	3,325	

KELSO COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AT 31 MARCH 2021

	Opening Balance at 01/04/20	Projected Movement in Year	Projected Closing Balances at 31/03/21
	£	£	£
Fixed Assets			
Land & Buildings	918,371	(59,129)	859,242
Moveable Assets	19,080	0	19,080
Feu Duties	0	0	0
Total Fixed Assets	937,451	(59,129)	878,322
Capital in Investment Fund			
Investment Fund Book Value	265,046	226	265,272
Unrealised Gains/(Loss)	(40,161)	0	(40,161)
Market Value	224,885	226	225,111
Current Assets			
Debtors	1,041	0	1,041
Cash deposited with SBC	38,854	(1,174)	37,680
Total Current Assets	39,895	(1,174)	38,721
Current Liabilities			
Creditors	0	0	0
Receipts in Advance	0	0	0
Total Current Liabilities	0	0	0
Net Assets	1,202,231	(60,077)	1,142,154
Funded by:			
Reserves			
Revenue Reserve	(58,829)	948	(57,881)
Capital Reserve	(205,951)	0	(205,951)
Revaluation Reserve	(937,451)	59,129	(878,322)
Total Reserves	(1,202,231)	60,077	(1,142,154)

KELSO COMMON GOOD FUND

**PROPERTY PORTFOLIO PERFORMANCE FOR 2020/21
(Projected Income and Expenditure to 30 September 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 £	Projected Property Expenditure at 30/09/20				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
Tait Hall	913,871	59,129	854,742	0	0	0	0	0	0
Pinnaclehill Woodlands	4,500	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	918,371	59,129	859,242	0	0	0	0	0	0

Fixed Assets – Moveable Assets	Net Book Value at 31/03/21 £
Silver Bowl & Salver	19,080
Total	19,080

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
Aegon Fund Rebate - (2020-2021)	120	124
Total Invested to 30 June 2020	244,932	265,170

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
30 June 2020	242,531
30 September 2020	244,207
Increase/(Decrease) from Total Cash Invested	(20,963)

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
to 30 June 2020	-8.52	+2.76
to 30 September 2020	-7.91	+4.83