

Scottish Borders Council

Common Good Funds

Charity Registration Number: SC310538

annual report and financial statements

for the year to 31 March 2015



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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

The Charity comprises of the eight Common Good Funds within Scottish Borders Council. Each holding property which it is responsible for maintain and distribution grants to local causes which are eligible within its charitable purpose.

Each Common Good Fund within the charity has financial investments and/or property assets the operational management of which is overseen by individual Sub-Committees of Elected Members from the relevant ward(s), supported by officers from the Council.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2015.

Reference and Administrative Information

| | |
|------------------------------------|------------------------------------------------------------------|
| Charity Name | Scottish Borders Council Common Good Funds |
| Charity registration number | SC031538 |
| Business Address | Council HQ Newtown St Boswells Melrose Scottish Borders |

Trustees

The Trustees of this charity are the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994. These are

| | |
|---------------------|--------------------------------|
| Sandy Aitchison | Gavin Logan |
| Willie Archibald | Stuart Marshall |
| Michelle Ballantyne | Watson McAteer (from May 2014) |
| Stuart Bell | John G Mitchell |
| Catriona Bhatia | Donald Moffat |
| Jim Brown | Simon Mountford |
| Joan Campbell | Alexander J Nicol |
| Michael J Cook | David Parker |
| Keith Cockburn | David Paterson |
| Alastair Cranston | Frances Renton |
| Vicky M Davidson | Sandy Scott |
| Gordon Edgar | Ron Smith |
| James A Fullerton | Rory Stewart |
| Graham H T Garvie | Jim Torrance |
| Iain Gillespie | George Turnbull |
| John Greenwell | Tom Weatherspoon . |
| Bill Herd | Bill White |

Chief Executive The Chief Executive of Scottish Borders Council is Tracey Logan.

Auditor KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Common Good Funds.

All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

Structure

- a) The Charity comprises a number of separate funds for the former Burghs of:
 - Duns
 - Galashiels
 - Hawick
 - Jedburgh
 - Kelso
 - Lauder
 - Peebles, and
 - Selkirk
- b) Each fund is administered by a Sub-Committee of Elected Members representing the Council wards in which each Burgh is situated.

Governance and Management

Type of Governing Documents

- a) The overarching governance of the Charity is the principle of statute and common law. The statutory framework is the successive Acts from the Common Good Act 1491 through to the Local Government etc Scotland Act 1994, with the Local Government (Scotland) Act 1973 provisions still in force, and the Local Government in Scotland Act 2003. Cognisance is also to be taken of the various judicial opinions in the case law governing the treatment of Common Goods.
- b) In terms of the Trustee's governance of the fund, they have determined that this is in terms of the Corporate Governance of the Council, namely the code as comprises:-
 - Financial Regulations;
 - Code of Corporate Governance;
 - Procedural Standing Orders;
 - Scheme of Administration; and
 - Scheme of Delegation.
- c) When considering any action in connection with the Common Good Funds the Trustees have in the interest of the Common Good Fund and have regard to the interests of the inhabitants of the area to which the Common Good formerly related.
- d) The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council and the relevant ward, ie those wards covering former Burgh areas and in terms of the Council's Code of Governance.

Charitable Purpose

The charitable purpose of the Common Good Funds are that, subject to their legal responsibilities in terms of any assets held by the Trust, the funds are operated for the common good of the residents of the aforesaid former Burghs and may be used to provide advancement of citizenship or community development.

In respect of those funds which have land and property (Duns, Hawick, Jedburgh, Kelso, Lauder, Peebles and Selkirk), the Trustees recognise their obligations to ensure that these assets are maintained.

Summary of the Main Activities

The Charity has taken steps to ensure that the assets of the Funds are properly managed and accounted for. Quarterly budget monitoring reports have been prepared for consideration by the Trustees forming the Working Group for each individual Burgh and the minutes of these meetings reported to the full Council in terms of the Code of Governance.

Maintenance work has been approved and carried out on fixed assets and responses made to applications for financial assistance as detailed in the Notes to the Financial Statements on page 12.

Most of the Funds have made donations to eligible beneficiaries in their Burghs.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

Funding and Reserves

Investments Per the Councils Common Good and Trust Fund investment strategy the main balance of funds are invested in the Newton Real Return Fund.

Policy on Reserves The Council treats the Charities' funds in line with recognised national governance and applicable codes of practice.

Plans for the Future

The Common Good Funds will continue to maintain their heritable assets and will look to maximise their income from any of these assets which can be let commercially. Where assets are used by third parties towards the Common Good of the Burgh then rental levels may reflect this aspect of the tenants' activity.

Where funds permit, the Common Good Funds will look to make grants to organisations in their Burghs which will provide benefit to the Burgh residents, as approved by the individual Common Good Committees.

The report was signed on behalf of the Trustees by

David Parker
Trustee
Scottish Borders Council Common Good Funds
29 September 2015

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

The Trustees are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires that the trustees prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2005;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in its activities.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES (Including an Income and Expenditure Account) for the year ended 31 March 2015

| 2013/14 £'000 | | 2014/15 £'000 | Notes |
|------------------|-----------------------------------------------------------------------------------|------------------|-------|
| | Incoming Resources | | |
| | Incoming Resources from Generated Funds | | |
| 23 | Voluntary Income | 58 | 1 |
| 55 | Investment Income | 60 | 2 |
| 236 | Rental Income | 225 | |
| 314 | Total Incoming Resources | 343 | |
| | Resources Expended | | |
| (326) | Costs of Generating Funds: Property Costs | (460) | 3 |
| (154) | Charitable Activities | (85) | 3 |
| (56) | Governance Costs | (48) | 3&4 |
| (536) | Total Resources Expended | (593) | |
| (222) | Net Incoming Resources before Transfers | (250) | |
| 19 | Gross Transfers between Funds | 324 | |
| (203) | Net Incoming/(Outgoing) Resources before Other Recognised Gains and Losses | 74 | |
| | Other Recognised Gains and Losses | | |
| 7 | Property Sale | 0 | |
| 0 | Gains on Revaluation Of Fixed Assets | 3,497 | |
| 60 | Gains/(Loss) on Investment Assets | 0 | |
| 67 | Total Other Recognised Gains and Losses | 3,497 | |
| (136) | Net Income/(Expenditure) for the Year | 3,571 | |
| 30 | Net Unrealised Investment Gains/(Losses) | 79 | |
| (106) | Net Movement in Funds | 3,650 | |
| | Reconciliation of Funds | | |
| 9,848 | Total Funds Brought Forward | 9,742 | |
| 9,742 | Total Funds Carried Forward | 13,392 | |

BALANCE SHEET as at 31 March 2015

| as at 31 March 2014 Restated | | | as at 31 March 2015 | | Notes |
|------------------------------------|----------------|-------------------------------------------------|------------------------|-----------------|-------|
| £'000 | £'000 | | £'000 | £'000 | |
| | | Fixed Assets | | | |
| 7,092 | | Tangible Assets | 10,622 | | 5 |
| 2,177 | | Investments | 2,350 | | 6 |
| | 9,269 | | | 12,972 | |
| | 102 | Long Term Loan to Third Party | | 77 | |
| | | Current Assets | | | |
| 3 | | Debtors | 20 | | 7 |
| 488 | | Short Term Investment in SBC Loans Fund. | 389 | | |
| | 491 | | | 409 | |
| | | Current Liabilities | | | |
| | (120) | Creditors: Amounts falling due within 1 year | | (66) | 8 |
| | 9,742 | Total Assets | | 13,392 | |
| | | The Funds of the Charity | | | |
| | (2,841) | Restricted Income Funds | | (2,962) | 9 |
| | (6,901) | Revaluation Reserve | | (10,430) | |
| | (9,742) | Total Funds | | (13,392) | |

All of the charity's activities are continuing.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 14 form part of these Financial Statements.

The unaudited accounts were issued on 30 June 2015 and the audited accounts were authorised for issue on 29 September 2015.

David Robertson CPFA
29 September 2015

CASH FLOW for the year ended 31 March 2015

| 2013/14 Restated £'000 | | 2014/15 £'000 |
|------------------------------|------------------------------------------------------------------------------------------|------------------|
| | Reconciliation of Operating Profit to Net Cash Flow from Operating Activities | |
| (222) | Net Incoming /(Outgoing) Resources before Transfers | (250) |
| 171 | Adjustment for Depreciation Charges which are non-cash movements | 291 |
| 80 | Decrease/(Increase) in Debtors | (17) |
| 51 | Increase/(Decrease) in Creditors due within 1 year | (54) |
| 60 | Realised Gains/(Losses) on Investments | 0 |
| 140 | Net Cash Inflow/(Outflow) from Operating Activities | (30) |

| 2013/14 Restated £'000 | | 2014/15 £'000 |
|------------------------------|------------------------------------------------------------|------------------|
| | Cash Flow Statement | |
| 140 | Net Cash Inflow/(Outflow) from Operating Activities | (30) |
| | Financial Investing Activities | |
| (66) | (Advances)/Repayments on Long Term Loans | 25 |
| (1,108) | (Purchase)/Disposal of Long Term Investments | (94) |
| 1,034 | (Deposit)/Withdrawal from Short Term Investments | 99 |
| 0 | Increase / (Decrease) in Cash in Period | 0 |

| Reconciliation of Net Cash Flow to Movement in Net Funds | | | |
|-----------------------------------------------------------------|-----------------------------------|-------------------|------------------------------------|
| | As at 1 April 2014 £'000 | Movement £'000 | As at 31 March 2015 £'000 |
| Cash at Bank and In Hand | 0 | 0 | 0 |
| | 0 | 0 | 0 |

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) regulations 2006 (as amended) and the Statement of Recommended Practice: Accounting and reporting by Charities issued in February 2006, except for the non-recognition of donated assets (see donations and gifts below).

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when they are approved.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds

Funds are classified as Restricted Funds, defined as follows:

Restricted funds are funds subject to specific conditions, which may be declared by the donors or with their authority or created through legal processes, but still within the objects of the charity.

Voluntary Income

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Tangible Fixed Assets

Tangible fixed assets, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land is held at current valuation and is not depreciated. All tangible fixed assets are subject to revaluation every five years, with the next revaluation being undertaken in 2014/15. Depreciation is charged on all tangible fixed assets other than land at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Investments

Fixed asset investments are stated at market value. Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchases in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Cash and Short Term Investments

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Voluntary Income

Restricted

| 2013/14 £000 | | 2014/15 £'000 |
|-----------------|------------|------------------|
| 1 | Duns | 1 |
| 1 | Galashiels | 6 |
| 7 | Hawick | 30 |
| 1 | Jedburgh | 1 |
| 1 | Kelso | 1 |
| 6 | Lauder | 6 |
| 3 | Peebles | 3 |
| 5 | Selkirk | 10 |
| 25 | | 58 |

2 Investment Income

| 2013/14 £000 | | 2014/15 £'000 |
|-----------------|----------------------------------|------------------|
| 7 | Bank Interest Receivable | 3 |
| 48 | Income from Investment Portfolio | 57 |
| 55 | | 60 |

3 Resources Expended

| 2013/14 Total £'000 | | Activities Undertaken Directly £'000 | Governance Costs £'000 | Property Cost & Depreciation £'000 | 2014/15 Total £'000 |
|---------------------------|------------|-----------------------------------------------|------------------------------|------------------------------------------|---------------------------|
| 5 | Duns | 0 | 2 | 24 | 26 |
| 2 | Galashiels | 0 | 2 | 12 | 14 |
| 167 | Hawick | 12 | 11 | 175 | 198 |
| 24 | Jedburgh | 34 | 3 | 12 | 49 |
| 33 | Kelso | 1 | 2 | 42 | 45 |
| 129 | Lauder | 1 | 10 | 22 | 33 |
| 61 | Peebles | 21 | 8 | 58 | 87 |
| 115 | Selkirk | 16 | 10 | 115 | 141 |
| 536 | | 85 | 48 | 460 | 593 |

4 Governance Costs

The fee for the external audit of the charity was included as part of the support costs charged by the Scottish Borders Council.

5 Tangible Fixed Assets

| As at 31 March 2014 | | as at 31 March 2015 | | |
|------------------------|------------|------------------------------------------|--------------------|---------------|
| | | Land & Buildings at Net Book Value | Heritage Assets | Total |
| | | £'000 | £'000 | £'000 |
| 4 | Duns | 3 | 0 | 3 |
| 0 | Galashiels | 313 | | 313 |
| 2,532 | Hawick | 3,675 | 3 | 3,678 |
| 414 | Jedburgh | 488 | | 488 |
| 669 | Kelso | 864 | 19 | 883 |
| 691 | Lauder | 1,028 | | 1,028 |
| 678 | Peebles | 914 | 2 | 916 |
| 2,104 | Selkirk | 3,312 | 1 | 3,313 |
| 7,092 | | 10,597 | 25 | 10,622 |

The movement in the value of Tangible Fixed Assets has been driven by the following movements:

| | £'000 |
|-----------------------------------------|---------------|
| Opening Balance at 1 April 2014 | 7,092 |
| Depreciation for year | (291) |
| Donated Heritage Property | 324 |
| Surplus on Revaluation | 3,497 |
| Closing Balance at 31 March 2015 | 10,622 |

The Donated Heritage Property is primarily related to the transfer of assets from the Council's asset register to Galashiels Common Good following investigative work undertaken and approved during 2014/15.

6 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2015 all investments were with the Newton Real Return Fund.

7 Debtors

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|-----------------------------------|------------------|
| 3 | Trade Debtors and Accruals | 20 |
| 102 | Loans to Third Parties | 77 |
| 479 | Due from Scottish Borders Council | 389 |
| 584 | | 486 |

8 Creditors: Amounts Falling Due Within One Year

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|------------------------------|------------------|
| 120 | Trade Creditors and Accruals | 66 |

9 Restricted Funds

| Balance at 31 March 2015 £'000 | | Balance at 31 March 2015 £'000 |
|--------------------------------------|------------|--------------------------------------|
| 22 | Duns | 22 |
| 25 | Galashiels | 31 |
| 595 | Hawick | 614 |
| 1,018 | Jedburgh | 1,039 |
| 284 | Kelso | 298 |
| 237 | Lauder | 243 |
| 455 | Peebles | 493 |
| 205 | Selkirk | 222 |
| 2,841 | | 2,962 |

10 Contingent Assets

The charity granted a secured grant to Jedburgh Golf Club in 2004 to purchase land. The grant is to be written down over 20 years. If during this period the land is sold the balance of the remaining funds are to be returned to the charity.

INDEPENDENT AUDITOR'S REPORT to the Trustees of Scottish Borders Council Common Good Funds and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Scottish Borders Council Common Good Funds for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of the financial activities, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Opinion on other prescribed matter

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Trustees of Scottish Borders Council Common Good Funds and the Accounts Commission for Scotland (continued)

Matters on which we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Hugh Harvie,
for and on behalf of KPMG LLP, Statutory Auditor

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30 September 2015

ADDITIONAL INFORMATION

Contact Details

For further information on the Common Good Funds, please contact

| | |
|---------------------------|------------------------------------------------------------------------------------|
| Lynn Mirley | Telephone: 01835 – 825016 |
| Corporate Finance Manager | E-mail: lmirley@scotborders.gov.uk |
| Scottish Borders Council | Council Headquarters Newtown St Boswells MELROSE TD6 0SA |