
MONITORING REPORT FOR 12 MONTHS TO 31 MARCH 2021

Report by Executive Director, Finance & Regulatory

KELSO COMMON GOOD FUND SUB-COMMITTEE

15 June 2021

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 2020/21 including balance sheet values as at 31 March 2021, a full year projected out-turn for 2021/22, and projected balance sheet values as at 31 March 2022.**
- 1.2 Appendix 1 provides the actual income and expenditure for 2020/21. This shows a surplus of £4,569 for the year, which is better than the previously reported surplus on 20 April 2021, mainly as a result of an underspend in Grants & Donations.
- 1.3 Appendix 2 provides an actual balance sheet value as at 31 March 2021. It shows a decrease in the reserves of £12,284, partly due to the annual release from Revaluation Reserve off-set by unrealised gain on the Aegon Asset Management Fund.
- 1.4 Appendix 3a provides a breakdown of the property portfolio showing actual rental income and net return for 2020/21.
- 1.5 Appendix 3b provides a breakdown of the property portfolio showing actual property expenditure for 2020/21.
- 1.6 Appendix 4 provides a breakdown of the property portfolio showing actual property valuations at 31 March 2021.
- 1.7 Appendix 5 shows the value of the Aegon Asset Management Investment Fund to 31 March 2021.

2 RECOMMENDATIONS

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

- (a) Notes the actual income and expenditure for 2020/21 in Appendix 1;**
- (b) Notes the final balance sheet value as at 31 March 2021, and projected balance sheet value as at 31 March 2022 in Appendix 2;**
- (c) Notes the summary of the property portfolio in Appendices 3 and 4; and**
- (d) Notes the current position of the Aegon Asset Management Investment Fund in Appendix 5.**

3 BACKGROUND

3.1 This report provides the Committee with financial information for the period to 31 March 2021 and projections to 31 March 2022. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2022.

4 FINANCIAL POSITION 2020/21

4.1 Appendix 1 provides details on income and expenditure for the 2020/21 financial year, which resulted in a surplus of £4,569, as well as projections for 2021/22.

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 outturn position shows an amount of £41 relating to interest receivable on cash held by SBC, a drop from projections due to the negative effect on interest rates from COVID-19. Also included are dividends from the Common Good Funds investment in Aegon Asset Management amounting to £11,040 which is slightly ahead of the revised projection of 4.5% return, while less than the overall 5% target and the monthly distribution profile projections provided by Aegon.
- (b) As the full economic recovery from the COVID-19 impact is not yet known the projections for 2021/22 have been retained at 4.5% 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 Aegon Asset Management of £185 which, along with the £64 received in March 2020, has been re-invested to purchase an additional 249 units. Rebate income received in March 2021 of £65 has been accounted for within income but the corresponding 60 units were not purchased until April 2021.

4.4 Income & Expenditure – Property Expenditure

- (a) The property expenditure to 31 March 2021 is shown in Appendices 1 & 3b, with Appendix 3b detailing the actual property expenditure by individual property. Actual expenditure is reported on a cash basis until the year end with quarter 4 reports incorporating any annual adjustments for prepayments and accruals.
- (b) The projected expenditure for 2021/22 is shown in Appendix 1.
- (c) Appendices 3a and 3b show a full breakdown of the projections for property rental and repairs for 2021/22.

4.5 Income & Expenditure – Grants & Other Donations

The grants and other donations approved and distributed to 31 March 2021 are shown below:

Grant Recipients	Approved	£
Approved and Paid to 31 March 2021		
River Tweed Salmon Fishing Museum	15/09/20	4,624
Kelso in Bloom	10/11/20	330
Total Paid to 31 March 2021		4,954
Proposed Budget 2020/21		5,500
<i>(Unallocated)/Overallocated Budget</i>		<i>(546)</i>

4.6 Income & Expenditure – Depreciation Charge

The 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 actual balance sheet value as at 31 March 2021, and a projected balance sheet as at 31 March 2022.

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 4 shows the actual values of the individual properties at 31 March 2021, actual depreciation charges for 2020/21 and projected values at 31 March 2022.

4.9 Balance Sheet – Investment Fund

The fund has a 0.78% unrealised gain 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 16.84% since investment in February 2018.

The unrealised loss reported at 31 March 2020, which was due to a fall in the overall markets resulting from COVID-19, has over the last 12 months been fully recovered.

4.10 Balance Sheet – Cash Balance

The cash held by the fund is £43,254 at 31 March 2021 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2020	38,854
Surplus for year from Income & Expenditure Statement	4,569
Net Cash Movement in Debtors/Creditors	80
Rebate Investment in Aegon	(249)
Closing Balance as at 31 March 2021	43,254

4.11 Balance Sheet – Capital Reserve

The movements in the Capital Reserves include the unrealised gain for the Aegon Asset Management Fund as at 31 March 2021 but due to the nature of the markets no estimate has been made for the future 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 20 April 2021

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

APPENDIX 1

	Actuals at 31/03/21	Full Year Approved Budget 2020/21	Over/ (Under) Spend 2020/21	Full Year Approved Budget 2021/22	Para Ref	Commentary
	£	£	£	£		
Property Income						
Rental Income	0	0		0		
Non-Property Related Income						
Interest on Cash deposited with Council	(41)	(150)	109	(150)	4.3	Estimate revised to 4.5% return
Investment Fund – Dividends Rec'd	(11,040)	(11,015)	(25)	(11,015)	4.3	
Other Income	(250)	(290)	40	(290)	4.3	
Total Income	(11,331)	(11,455)	124	(11,455)		
Property Expenditure						
Property Costs – General	0	200	(200)	0	4.4	
Total Property Expenditure	0	200	(200)	0		
Grants & Other Donations	4,954	5,500	(546)	3,000	4.5	
Central Support Service Charge	1,808	1,808	0	1,844		21/22 – 2% uplift
Depreciation						
Depreciation Charge	59,129	59,129	0	59,129	4.6	
Contribution from Revaluation Reserve	(59,129)	(59,129)	0	(59,129)	4.6	
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	(4,569)	(3,947)	(622)	(6,611)		

BALANCE SHEET VALUE AT 31 MARCH 2021

	Opening Balance at 01/04/20	Movement in Year	Closing Balances at 31/03/21	Projected Closing Balances at 31/03/22
	£	£	£	£
Fixed Assets				
Land & Buildings	918,371	(59,129)	859,242	800,113
Moveable Assets	19,080	0	19,080	19,080
Feu Duties	0	0	0	0
Total Fixed Assets	937,451	(59,129)	878,322	819,193
Capital in Investment Fund				
Investment Fund Book Value	265,046	249	265,295	265,544
Unrealised Gains/(Loss)	(40,161)	42,276	2,115	2,115
Market Value	224,885	42,525	267,410	267,659
Current Assets				
Debtors	1,041	(80)	961	961
Cash deposited with SBC	38,854	4,400	43,254	49,616
Total Current Assets	39,895	4,320	44,215	50,577
Current Liabilities				
Creditors	0	0	0	0
Receipts in Advance	0	0	0	0
Total Current Liabilities	0	0	0	0
Net Assets	1,202,231	(12,284)	1,189,947	1,137,429
Funded by:				
Reserves				
Revenue Reserve	(58,829)	(4,569)	(63,398)	(70,009)
Capital Reserve	(205,951)	(42,276)	(248,227)	(248,227)
Revaluation Reserve	(937,451)	59,129	(878,322)	(819,193)
Total Reserves	(1,202,231)	12,284	(1,189,947)	(1,137,429)

PROPERTY PORTFOLIO PERFORMANCE FOR 2020/21
(Actual income to 31 March 2021 and projected 2021/22)

Rental Income – Land & Buildings	2020/21				2021/22	
	Approv'd Budget	Project'd Budget	Actual	Actual Net (Return) /Loss	Approv'd Out-turn	Approv'd Net (Return) /Loss
	£	£	£	£	£	£
Tait Hall	0	0	0	0	0	0
Pinnaclehill Woodlands	0	0	0	0	0	0
Property Expenditure (General)	0	0	0	0	0	0
Total	0	0	0	0	0	0

KELSO COMMON GOOD FUND

APPENDIX 3b

**PROPERTY PORTFOLIO PERFORMANCE FOR 2020/21
(Actual expenditure to 31 March 2021 and projected 2021/22)**

Property Expenditure – Land & Buildings	2020/21					2021/22
	Approv'd Budget	Project'd Budget	Actual (Repair & Maint)	Actual (Other)	Actual Total	Approv'd Budget
	£	£	£	£	£	£
Tait Hall	0	0	0	0	0	0
Pinnaclehill Woodlands	0	0	0	0	0	0
Property Expenditure (General)	0	0	0	0	0	0
Total	0	0	0	0	0	0

PROPERTY PORTFOLIO VALUATION FOR 2020/21**(Actual property valuation to 31 March 2021 and projected to 31 March 2022)**

Fixed Assets – Land & Buildings	Net Book Value at 01/04/20	Actual Depn Charge 2020/21	Actual Net Book Value at 31/03/21	Projected Depn Charge 2021/22	Projected Net Book Value at 31/03/22
	£	£	£	£	£
Tait Hall	913,871	59,129	854,742	59,129	795,613
Pinnaclehill Woodlands	4,500	0	4,500	0	4,500
Total	918,371	59,129	859,242	59,129	800,113

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

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)	249	249
Total Invested to 31 March 2021	245,061	265,295

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
31 December	263,623
31 March 2021	267,410
Increase/(Decrease) from Total Cash Invested	2,115

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
to 31 December 2020	-0.61	+14.09
to 31 March 2021	+0.78	+16.84