
MONITORING REPORT FOR 3 MONTHS TO 30 JUNE 2021

Report by Executive Director, Finance & Regulatory

KELSO COMMON GOOD FUND SUB-COMMITTEE

14 SEPTEMBER 2021

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Kelso Common Good Fund for three months to 30 June 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 projected income and expenditure position for 2021/22. This shows a projected surplus of £6,611 for the year.
- 1.3 Appendix 2 provides a projected balance sheet value as at 31 March 2022. It shows a projected decrease in reserves of £52,518.
- 1.4 Appendix 3a provides a breakdown of the property portfolio showing projected rental income and projected net return for 2021/22 and actual property income to 30 June 2021.
- 1.5 Appendix 3b provides a breakdown of the property portfolio showing projected property expenditure for 2021/22 and actual property expenditure to 30 June 2021.
- 1.6 Appendix 4 provides a breakdown of the property portfolio showing projected property valuations at 31 March 2022.
- 1.7 Appendix 5 shows the value of the Aegon Asset Management Investment Fund to 30 June 2021.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Fund Sub-Committee:**
 - (a) Notes the projected income and expenditure for 2021/22 in Appendix 1;**
 - (b) Notes the 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 30 June 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 2021/22

4.1 Appendix 1 provides details on income and expenditure for the 2021/22 financial year. The projected net position for the year is a surplus of £6,611.

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 £11,015 which is currently estimated at 4.5% return. As a result of the market value dropping due to the impact of the COVID-19, this projected 4.5% return is less than the 5% target and the monthly distribution profile projections provided by Aegon. The position will be monitored closely with Aegon Asset Management
- (b) Rebate income from Aegon Asset Management received in March 2021 of £65 was accounted for in 2020/21 however the corresponding 60 units have been purchased in April 2021.

4.4 Income & Expenditure – Property Expenditure

- (a) The property expenditure for 2021/22 is shown in Appendices 1 & 3b, with Appendix 3b detailing the projected 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 2022 are shown below:

Grant Recipients	Approved	£
Approved and Paid to 30 June 2021		
Visit Kelso	15/06/21	2,000
Total Paid to 31 March 2022		2,000
Proposed Budget 2021/22		3,000
<i>(Unallocated)/Overallocated Budget</i>		<i>(1,000)</i>

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 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 1 April 2021, projected depreciation charges for 2021/22 and projected values at 31 March 2022.

4.9 Balance Sheet – Investment Fund

The fund has a 1.10% 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 18.71% since investment in February 2018.

4.10 Balance Sheet – Cash Balance

The cash held by the fund is projected to be £49,616 at 31 March 2022 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2021	43,254
Projected surplus for year from Income & Expenditure Statement	6,611
Net Cash Movement in Debtors/Creditors	0
Rebate Investment in Aegon	(249)
Closing Balance as at 31 March 2022	49,616

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 **Sustainable Development Goals**

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 **Climate Change**

There are no effects on climate change 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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 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 and the Clerk to the Council 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 June 2021

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**KELSO COMMON GOOD FUND
PROJECTED INCOME AND EXPENDITURE 2021/22**

APPENDIX 1

	Actuals at 30/06/21	Full Year Approved Budget 2021/22	Full Year Projected Out-turn 2021/22	Full Year Projected Over/ (Under) Spend 2021/22	Para Ref	Commentary
	£	£	£	£		
Property Income						
Rental Income	0	0	0		4.2	
Non-Property Related Income						
Interest on Cash deposited with Council	(0)	(150)	(150)		4.3	
Investment Fund – Dividends Rec'd	(1,222)	(11,015)	(11,015)		4.3	
Other Income	(0)	(290)	(290)		4.3	
Total Income	(1,222)	(11,455)	(11,455)			
Property Expenditure						
Property Costs – General	0	0	0		4.4	
Total Property Expenditure	0	0	0			
Grants & Other Donations	2,000	3,000	3,000		4.5	
Central Support Service Charge	0	1,844	1,844			
Depreciation						
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	778	(6,611)	(6,611)			

PROJECTED BALANCE SHEET VALUE AT 31 MARCH 2022

	Opening Balance At 01/04/21	Projected Movement in Year	Projected Closing Balance at 31/03/22
	£	£	£
Fixed Assets			
Land & Buildings	859,242	(59,129)	800,113
Moveable Assets	19,080	0	19,080
Feu Duties	0	0	0
Total Fixed Assets	878,322	(59,129)	819,193
Capital in Investment Fund			
Investment Fund Book Value	265,295	249	265,544
Unrealised Gains/(Loss)	2,115		2,115
Market Value	267,410	249	267,659
Current Assets			
Debtors	961	0	961
Cash deposited with SBC	43,254	6,362	49,616
Total Current Assets	44,215	6,362	50,577
Current Liabilities			
Creditors	0	0	0
Receipts in Advance	0	0	0
Total Current Liabilities	0	0	0
Net Assets	1,189,947	(52,518)	1,137,429
Funded by:			
Reserves			
Revenue Reserve	(63,398)	(6,611)	(70,009)
Capital Reserve	(248,227)	(0)	(248,227)
Revaluation Reserve	(878,322)	59,129	(819,193)
Total Reserves	(1,189,947)	52,518	(1,137,429)

PROPERTY PORTFOLIO PERFORMANCE FOR 2021/22
(Actual income to 30 June 2021 and projections to 31 March 2022)

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

KELSO COMMON GOOD FUND**APPENDIX 3b****PROPERTY PORTFOLIO PERFORMANCE FOR 2021/22
(Actual expenditure to 30 June 2021)**

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

PROPERTY PORTFOLIO VALUATION FOR 2021/22
(Projected property valuation to 31 March 2022)

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

Fixed Assets – Moveable Assets	Net Book Value at 31/03/22
	£
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
Aegon Fund Rebate – (2021-2022)	60	65
Total Invested to 30 June 2021	245,121	265,360

Value of Investment	£
31 March 2018	243,760
31 March 2019	266,674
31 March 2020	224,885
31 March 2021	267,410
30 June 2021	268,309
Increase/(Decrease) from Total Cash Invested	2,949

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
to 31 June 2021	+1.10	+18.71