
MONITORING REPORT FOR 12 MONTHS TO 31 MARCH 2021 AND PROPOSED BUDGET FOR FINANCIAL YEAR 2021/22

Report by the Director, Finance & Corporate Governance

MELROSE COMMON GOOD FUND SUB-COMMITTEE

14 December 2021

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Melrose Common Good Fund for the year 2020/21 including balance sheet values as at 31 March 2021 and proposed budget for 2021/22.**
- 1.2 Appendix 1 provides the actual income and expenditure for 2020/21. This shows a surplus of £434 for the year, which is better than the projected budget, due to an improvement in the return on the Aegon Investment Fund.
- 1.3 Appendix 2 provides an actual balance sheet value as at 31 March 2021. It shows a decrease in the reserves of £1,252, partly due to the annual release from Revaluation Reserve off-set by unrealised gain on the Aegon Asset Management Fund.
- 1.4 Appendix 3 provides a breakdown of the property portfolio.
- 1.5 Appendix 4 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) Agrees the proposed budget for 2021/22 as shown in Appendix 1;**
 - (c) Notes the final balance sheet value as at 31 March 2021, and projected balance sheet value as at 31 March 2022 in Appendix 2;**
 - (d) Notes the summary of the property portfolio in Appendix 3; and**
 - (e) Notes the current position of the Aegon Asset Management Investment Fund in Appendix 4.**

3 BACKGROUND

- 3.1 Melrose Scout Hall was recognised as a Common Good asset on 1 April 2017. Until that time the Hall was deemed to belong to Scottish Borders Council (SBC). This transfer relates to the *ownership* of the Hall and has no impact on the transfer of the operation and maintenance of the Hall, which is undertaken by Scottish Borders Council.
- 3.2 Scottish Borders Council are liable for operating costs such as staffing, energy and communications in return for their retention of all income earned. Scottish Borders Council have retained budget and liability for rates, insurance and maintenance costs.
- 3.3 This report provides the Committee with financial information for the period to 31 March 2021 and proposed budgets for 2021/22. 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 detail on income and expenditure for the 2020/21 financial year, which resulted in a surplus of £434, as well as the proposed budget for 2021/22.

4.2 Income & Expenditure – Property Costs and Income

As the liability for the upkeep of the Hall falls to Scottish Borders Council, there is no anticipated income or expenditure relating to the Hall.

4.3 Income & Expenditure – Grants & Other Donations

It is anticipated that no grants will be paid from the Melrose Common Good Fund.

4.4 Income & Expenditure – Non-Property Related Income

- (a) The outturn position shows an amount of £9 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 £416 which is ahead of the initial projection of 2.5% 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 set 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 £7 which, along with the £2 received in March 2020, has been re-invested to purchase an additional 9 units. Rebate income received in March 2021 of £2 has been accounted for within income but the corresponding 2 units were not purchased until April 2021.

4.5 **Income & Expenditure – Depreciation Charge**

The annual depreciation charge for the year is £3,281. 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.

- 4.6 Appendix 2 provides the balance sheet value as at 31 March 2021, the movement in the year and a projected balance as at 31 March 2022.

4.7 **Balance Sheet – Fixed Assets**

All fixed assets of the Common Good Fund are revalued every five years as part of the Council's rolling programme. The fixed assets were revalued at 1 April 2019 with no change made to the existing value. Appendix 3 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.

4.8 **Balance Sheet – Investment Fund**

The fund has an 0.78% unrealised gain in market value since investment, largely due to continued volatility in investment markets. Overall, however, 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 COVID19, has over the last 12 months been fully recovered.

4.9 **Balance Sheet – Cash Balance**

The cash held by the fund is £8,507 at 31 March 2021 and is detailed below:

| Cash Balance | £ |
|--|--------------|
| Opening Balance at 1 April 2020 | 8,078 |
| Surplus for year from Income & Expenditure Statement | 434 |
| Net cash movement in Debtors/Creditors | 4 |
| Kames Fund Rebate | (9) |
| Closing Balance as at 31 March 2021 | 8,507 |

4.10 **Balance Sheet – Capital Reserve**

The projections for 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 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. There is a risk with any property that works will be required during its life, which the Common Good does not hold funds for. This risk is mitigated by agreement with Scottish Borders Council. Operational and major repairs costs are met by Scottish Borders Council.

5.3 Intergrated 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 this report. The hall is a valuable community asset which through its activities has 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.

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, 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
Director of Finance & Corporate Governance

Signature

Author(s)

| | |
|---------------|---|
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Background Papers:

Previous Minute Reference: Scottish Borders Council

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MELROSE COMMON GOOD FUND
APPENDIX 1
ACTUAL INCOME AND EXPENDITURE 2020/21

| | Actuals at 31/03/21 | Full Year Projected Out-turn 2020/21 | Over / (Under) Spend 2020/21 | Proposed Budget 2021/22 | Para Ref | Commentary |
|--|---------------------------|---|---------------------------------------|-------------------------------|-------------|----------------------|
| | £ | £ | £ | £ | | |
| Non-Property Related Income | | | | | | |
| Investment Fund - Dividends Rec'd | (416) | (231) | (185) | (416) | 4.3 | Estimate 4.5% return |
| Other Income | (9) | (10) | 1 | (9) | | |
| Interest on Cash deposited with Council | (9) | 0 | (9) | (9) | | |
| Total Income | (434) | (241) | (193) | (434) | | |
| Depreciation | | | | | | |
| Depreciation Charge | 3,281 | 3,281 | 0 | 3,281 | 4.4 | |
| Contribution from Revaluation Reserve | (3,281) | (3,281) | 0 | (3,281) | | |
| Net impact of Depreciation on Revenue Reserve | 0 | 0 | 0 | 0 | | |
| Total Net (Surplus)/Deficit for year | (434) | (241) | (193) | (434) | | |

BALANCE SHEET VALUE AS AT 31 MARCH 2021

| | Opening Balance at 01/04/20 | Movement in Year | Closing Balance at 31/03/21 | Projected Closing Balance at 31/03/22 |
|------------------------------------|--------------------------------------|------------------------|--------------------------------------|--|
| | £ | £ | £ | £ |
| Fixed Assets | | | | |
| Land & Buildings | 28,250 | (3,281) | 24,969 | 21,688 |
| Moveable Assets | 0 | 0 | 0 | 0 |
| Total Fixed Assets | 28,250 | (3,281) | 24,969 | 21,688 |
| Capital in Investment Funds | | | | |
| Investment Fund Book Value | 10,001 | 9 | 10,010 | 10,019 |
| Unrealised Gains/(Loss) | (1,516) | 1,595 | 79 | 79 |
| Market Value | 8,485 | 1,604 | 10,089 | 10,098 |
| Current Assets | | | | |
| Debtors | 40 | (4) | 36 | 36 |
| Cash deposited with SBC | 8,078 | 429 | 8,507 | 8,932 |
| Total Current Assets | 8,118 | 425 | 8,543 | 8,968 |
| Current Liabilities | | | | |
| Creditors | 0 | 0 | 0 | 0 |
| Receipts in Advance | 0 | 0 | 0 | 0 |
| Total Current Liabilities | 0 | 0 | 0 | 0 |
| Net Assets | 44,853 | (1,252) | 43,601 | 40,754 |
| Funded by: Reserves | | | | |
| Revenue Reserve | (7,232) | (434) | (7,666) | (8,100) |
| Capital Reserve | (27,191) | (1,595) | (28,786) | (28,786) |
| Revaluation Reserve | (10,430) | 3,281 | (7,149) | (3,868) |
| Total Reserves | (44,853) | 1,252 | (43,601) | (40,754) |

PROPERTY PORTFOLIO PERFORMANCE 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 | Depn Charge 2020/21 | Net Book Value at 31/03/21 | Projected Depn Charge 2021/22 | Projected Net Book Value at 31/03/22 |
|--|---|------------------------------------|---|--|---|
| | £ | £ | £ | £ | £ |
| Melrose Scout Hall | 28,250 | 3,281 | 24,969 | 3,281 | 21,688 |
| Total | 28,250 | 3,281 | 24,969 | 3,281 | 21,688 |

INVESTMENTS EXTERNALLY MANAGED

| Cost of Investment | Units | £ |
|--|--------------|---------------|
| Aegon Asset Management Investment (March 2019) | 9,230 | 9,993 |
| Aegon Fund Rebate – (2019-2020) | 7 | 8 |
| Aegon Fund Rebate – (2020-2021) | 9 | 9 |
| Total Invested to 31 March 2021 | 9,246 | 10,010 |

| Value of Investment | £ |
|---|-----------|
| 31 March 2019 | 10,062 |
| 31 March 2020 | 8,485 |
| 31 March 2021 | 10,089 |
| Increase/(Decrease) from Total Cash Invested | 79 |

| Return on Investment from inception | Capital Return % | Total Return % |
|--|-------------------------|-----------------------|
| to 31 March 2019 | +3.86 | +9.41 |
| to 31 March 2020 | -15.16 | -5.98 |
| to 31 March 2021 | +0.78 | +16.84 |
| | | |