

---

## **Monitoring Report for 3 Months to 30 September 2015**

**Report by the Chief Financial Officer**

---

### **Hawick Common Good Sub Committee**

**17 November 2015**

---

#### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides the details of the income and expenditure for the Hawick Common Good Fund for the 6 months to 30 September 2015 and full year projected out-turn for 2015/16 and projected balance sheet values to 31 March 2016**
- 1.2 Appendix 1 provides a projected Income and Expenditure position. This shows a projected deficit of £37,442 for the year. A reduction to the £40,660 deficit reported in August 2015 due to increased rental income is detailed in Section 4.2.
- 1.3 Appendix 2 provides a projected Balance Sheet to 31 March 2016. It shows a projected decrease in the reserves of £80,235 due to the projected reduction in revenue reserve and the revaluation reserve.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing actual Income and Expenditure to 30 September 2015.
- 1.5 Appendix 4 shows the value of the Newton Fund to 30 September 2015.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Common Good Sub Committee:**
  - (a) Agrees the projected Income and Expenditure for 2015/16 in Appendix 1.**
  - (b) Notes the projected Balance Sheet value to 31 March 2016 in Appendix 2.**
  - (c) Notes the summary of the property portfolio in Appendix 3.**
  - (d) Notes the current position of the investment in the Newton Fund in Appendix 4.**

#

### **3 BACKGROUND**

3.1 This report provides the Committee with financial information for the period to 30 September 2015 and projections to 31 March 16. The report also contains a projected balance sheet for the Common Good Fund to 31 March 2016.

### **4 FINANCIAL POSITION 2014/15**

4.1 Appendix 1 provides detail on income and expenditure for the 2015/16 financial year. The projected net position for the year is a deficit of £37,442, assuming full expenditure of the grants and donations budget of which £11,400 remains to be allocated.

#### **4.2 Income & Expenditure – Rental Income**

Rental income for 2015/16 is shown on Appendices 1 & 3, with Appendix 3 detailing the projected annual rental income by individual property. There has been an increase of £2,541 on the projected income for Common Haugh due to the voluntary weekly collections from the market undertaken by Jim Little Hawick Community Council. These have now stopped and a new Tenant Geraud Markets has taken over the site. They have a 1 year rent free period with payment commencing September 2016. Williestruther Cottage and Kennels will be under a new tenancy from 1 November 2015 and will increase to a market value rent. This will therefore increase the rental income for 2015 by £677. These additions will increase the proposed budget for 2015/16 by £3,218. A request by the organisers of the Roger Albert Clark Rally as a service area for the cars on 29 November 2015 has been received and it is proposed a fee of £1,000 be charged to include the use of the site and for leaving it clean, tidy with any damage caused by the cars to be repaired, this has yet to be accepted by the Rally and is therefore not included in the projections at this time.

#### **4.3 Income & Expenditure – Non-Property Related Income**

The projected out-turn includes an estimate for the interest receivable on cash deposited with the Council. This, however, does not show as an actual income until the end of the financial year as amount is dependent on interest rates and the average cash revenue balance invested with the Council over the full financial year. The annual rate of interest applied to the cash deposits is expected to be around 0.4%.

4.4 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February. Dividends of £5,067 were received in September 2015 in line with the proposed budget of £8,979 for the year. The proposed budget for 2015/16 is based on a distribution of 2.5% which will be subject to the overall performance of the fund.

#### **4.5 Income & Expenditure – Property Expenditure**

The property expenditure to 30 September 2015 is detailed in Appendix 3 by property. The proposed Budget for 2015/16 includes £71,000 to complete silage pit work at Pilmuir, £8,700 for Williestruther Path, offset by balance of income received from Community Council in 2014/15. See Property Costs – General in Appendix 1. The balance of the additional income from the Community Council will be spent on a strimmer costing approximately £480. The fund has paid the original £6,480 2015/16 Rates bill for the Common Haugh. A proportion of this will be credited back to the

fund once the new Rates Bill for the new market tenant has been produced but there will be also be a bill for work to remark the Car Park, both of which are yet to be quantified.

#### 4.6 **Income & Expenditure – Grants & Other Donations**

The grants and other donations distributed to 30 September 2015 are shown below. There is a further £4,000 available to Burnfoot Community Council for the Remembrance Garden at Wilton Cemetery that has been delegated to the Chief Financial Officer in consultation with the Chair.

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
<b>Approved and Paid to 30 September 2015</b>		
Hawick Honorary Provost Running Costs	26/05/15	2,000
History of Hawick & District during WW1	18/08/15	600
Burnfoot CC-Remembrance Grdn Wilton Cemetery	18/08/15	2,000
<b>Total Paid to 30 June 2015</b>		<b>4,600</b>
<b>Approved but not yet paid</b>		
Burnfoot CC-Remembrance Grdn Wilton Cemetery	18/08/15	4,000
<b>Total Approved but not yet paid</b>		<b>4,000</b>
<b>Total Grants Approved</b>		<b>8,600</b>
<b>2015/16 Budget</b>		<b>20,000</b>
<b>Unallocated Budget</b>		<b>11,400</b>

#### 4.7 **Income & Expenditure – Depreciation Charge**

The depreciation charge is projected to be £42,792 based on the revaluation of the properties at 1 April 2014. This is not a cash transaction.

4.8 Appendix 2 provides the balance sheet value to 31 March 2015, the projected movement in year and a projected balance at 31 March 2016.

#### 4.9 **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 2014. Appendix 3 shows the values of the individual properties at 31 March 2015, projected depreciation charges 2015/16 and projected value at 31 March 2016.

#### 4.10 **Balance Sheet – Newton Investment**

- a) The markets remain volatile due to the continued downturn in the growth rate of the Chinese economy and the US Federal Reserve's decision to leave US interest rates unchanged. This has resulted in a small negative return of -0.78% for the quarter to 30 September 2015 in comparison to equity markets which fell by 6% in the same period. Newton continues to put plans in place to protect the Fund.
- b) Due to the volatility of the market conditions the projections do not include estimates for movements in the unrealised gains. Appendix 4 shows the performance of the Newton Fund since inception.

#### 4.11 Balance Sheet – Cash Balance

The cash held by the fund is projected to be £96,962, an in year projected decrease of £37,442. The projected cash movement for 2015/16 is as follows:

<b>Cash Balance</b>	<b>£</b>
<b>Opening Balance at 1 April 2015</b>	<b>134,404</b>
Transfer to Newton Fund	0
Projected Deficit for year from Income & Expenditure Statement	(37,442)
Net cash movement in Debtors/Creditors	0
<b>Projected Closing Balance at 31 March 2016</b>	<b>96,962</b>

#### 4.12 Balance Sheet – Capital Reserve

The projections for the Capital Reserves include the unrealised gain for the Newton Fund as at 31 March 2016 but due to the extremely volatile 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 Newton 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 Equalities

It is anticipated that there are no adverse equality implications arising from the proposals contained in 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 Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their appropriate comments have been incorporated into this report.

**Approved by**

**David Robertson**  
**Chief Financial Officer**

**Signature .....**

**Author(s)**

Kirsty Robb	Capital and Investments Manager Tel: 01835 825249
-------------	---

**Background Papers:**

**Previous Minute Reference:** Hawick Common Good Committee 18 August 2015

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. We can also give information on other language translations as well as providing additional copies.

Contact us at Corporate Finance, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA.  
Tel: 01835 824000  
Fax: 01835 825011  
Email: treasuryteam@scotborders.gov.uk

## HAWICK COMMON GOOD FUND

## INCOME AND EXPENDITURE 2015/16

	Actuals at 30/09/15	Full Year Approved Budget 2015/16	Full Year Projected Out-turn	Full Year Projected Over/ (Under) Spend	Para Ref	Commentary
	£	£	£	£		
<b>Property Income</b>						
Rentals Receivable	(92,710)	(92,220)	(95,438)	(3,218)	4.2	Tenancy Changes Common Haugh/Williestruther
<b>Non-Property Related Income</b>						
Interest on Cash deposited with Council						Calculated at 0.4%
Newton Fund Investment – Dividends Rec'd	0	(300)	(300)	0	4.3	Calculated at 2.5%
Other Income	(5,067)	(8,979)	(8,979)	0	4.4	Contribution from CC and
<b>Total Income</b>	(10,186)	(10,186)	(10,186)	0	4.5	balance of Grant for Squirrel Control
	<b>(107,964)</b>	<b>(111,685)</b>	<b>(114,903)</b>	<b>(3,218)</b>		
<b>Property Expenditure</b>						
Property Costs – General	36,333	49,423	49,423	0	4.5	Williestruther Path & Common Haugh Rates
Property Costs – Pilmuir	13,278	72,225	72,225	0	4.5	Pilmuir Silage Pit
Property Costs – St Leonards	2,375	5,532	5,532			
<b>Total Property Expenditure</b>	<b>51,986</b>	<b>127,180</b>	<b>127,180</b>	<b>0</b>		
<b>Grants &amp; Other Donations</b>	<b>4,600</b>	<b>20,000</b>	<b>20,000</b>	<b>0</b>	4.6	£4,000 approved not yet paid
<b>Running Costs</b>						
Central Support Service Charge	10,841	10,841	10,841	0		
SBC Grant towards Service Charge	(5,676)	(5,676)	(5,676)	0		
<b>Net Running Costs</b>	<b>5,165</b>	<b>5,165</b>	<b>5,165</b>	<b>0</b>		
<b>Depreciation</b>						
Depreciation Charge	0	42,792	42,792	0		
Contribution from Revaluation Reserve	0	(42,792)	(42,792)	0		
<b>Net impact of Depreciation on Rev Res</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Total Net (Surplus)/Deficit for year</b>	<b>(46,212)</b>	<b>40,660</b>	<b>37,442</b>	<b>(3,218)</b>		

## HAWICK COMMON GOOD FUND

## PROJECTED BALANCE SHEET VALUE AS AT 30 September 2016

	Opening Balance at 01/04/15 £	Projected Movement in Year £	Projected Balances at 31/03/16 £
<b>Fixed Assets</b>			
Land & Buildings	3,674,859	(42,792)	3,632,066
Heritable Assets	3,000	0	3,000
Feu Duties	18	0	18
<b>Total Fixed Assets</b>	<b>3,677,877</b>	<b>(42,792)</b>	<b>3,635,084</b>
<b>Capital in Newton Investment Fund</b>			
Investment in Newton Fund	359,171	0	359,171
Unrealised Gains/(Loss)	18,320	0	18,320
<b>Market Value</b>	<b>377,491</b>	<b>0</b>	<b>377,491</b>
<b>Current Assets</b>			
Debtors	6,812	0	<b>6,812</b>
Cash deposited with SBC	134,404	(37,442)	<b>96,962</b>
<b>Total Current Assets</b>	<b>141,216</b>	<b>(37,442)</b>	<b>103,774</b>
<b>Current Liabilities</b>			
Creditors	(21,472)	0	<b>(21,472)</b>
Receipts in Advance	(19,197)	0	<b>(19,197)</b>
<b>Total Current Liabilities</b>	<b>(40,668)</b>	<b>0</b>	<b>(40,670)</b>
<b>Net Assets</b>	<b>4,155,916</b>	<b>(80,235)</b>	<b>4,075,681</b>
<b>Funded by:</b>			
<b>Reserves</b>			
Revenue Reserve	(100,547)	37,442	(63,105)
Capital Reserve	(513,326)	0	(513,326)
Revaluation Reserve	(3,542,043)	42,792	(3,499,250)
<b>Total Reserves</b>	<b>(4,155,916)</b>	<b>80,235</b>	<b>(4,075,681)</b>

## HAWICK COMMON GOOD FUND

**PROPERTY PORTFOLIO PERFORMANCE FOR 2015/16**  
**(Actual Income and Expenditure to 30 September 2015)**

Fixed Assets	Net Book Value at 31/03/15	Projected Depn Charge 2015/16	Projected Net Book Value at 31/03/16	Projected Rental Income 2015/16	Actual Property Expenditure at 30/09/15				
					Repairs	Rates, Water & Power	Ins	Other	Total
	£	£	£	£	£	£	£	£	£
<b>General</b>									
Moat Park	0	0	0	0	0	0	0	0	0
Moat Park Playground	0	0	0	0	0	0	0	0	0
Hawick Golf Course	73,000	0	73,000	0	0	0	0	0	0
Acreknowe Reservoir (Part)	0	0	0	0	206	0	0	0	206
Williestruther Loch	4,500	0	4,500	375	6,408	0	0	0	6,408
Williestruther Cottage	175,371	4,629	170,742	6,230	861	0	60	0	921
Lothian Street Store	17,537	463	17,074	2,550	0	0	83	0	83
Common Haugh Car Park	82,000	0	82,000	7,741	246	6,550	0	0	6,795
Underhaugh	0	0	0	0	0	0	0	0	0
Hawick Moor Racecourse & Bldgs	33,760	1,240	32,520	700	5,690	0	1,477	0	7,167
Hawick Moor Shootings	4,000	0	4,000	200	0	0	0	0	0
Woodend Grazings (West)	1,500	0	1,500	75	0	0	0	0	0
Millpath Stables	21,940	560	21,380	0	23	0	2	0	25
Ca'Knowe Monument	0	0	0	0	0	0	0	0	0
Volunteer Park & Stand	325,067	14,933	310,134	1,750	96	0	152	356	603
Hawick Burgh Woodlands	99,000	0	99,000	0	0	0	0	0	0
Woodend Grazings (East)	1,000	0	1,000	80	0	0	0	0	0
Hawick Golf Club Sub Stn Site	750	0	750	75	0	0	0	0	0
Common Riding	0	0	0	0	1,524	0	0	0	1,524
Haggis Ha/Burnflat Wall	0	0	0	0	1,005	0	0	0	1,005
Williestruther Path	0	0	0	0	7,951	0	0	0	7,951
100 Stairs and Adjacent Land	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	185	1,261	-39	2,239	3,646
<b>General Sub Total</b>	<b>839,425</b>	<b>21,825</b>	<b>817,600</b>	<b>19,776</b>	<b>24,192</b>	<b>7,810</b>	<b>1,735</b>	<b>2,595</b>	<b>36,333</b>



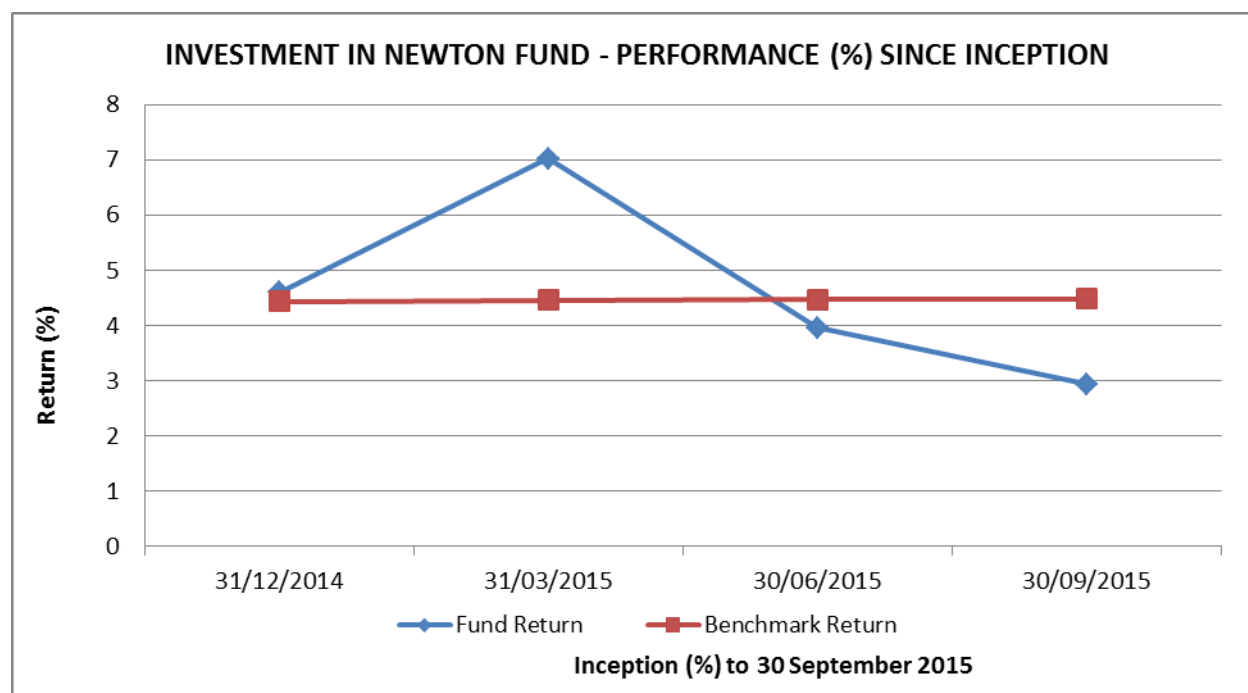
Fixed Assets	Net Book Value at 31/03/15 £	Projected Depn Charge 2015/16 £	Projected Net Book Value at 31/03/16 £	Projected Rental Income 2015/16 £	Actual Property Expenditure at 30/06/15				
					Repairs £	Rates, Water & Power £	Ins £	Other £	Total £
<b>Pilmuir</b>									
Pilmuir Farm	1,796,251	3,749	1,792,502	45,000	12,053	0	1,225	0	<b>13,278</b>
Pilmuir Farm Cottage	156,400	3,600	152,800	7,200	0	0	0	0	<b>0</b>
Pilmuir Farm Shed & Silage Pit	0	0	0	0	0	0	0	0	<b>0</b>
Pilmuir Farm Shootings	0	0	0	0	0	0	0	0	<b>0</b>
Property Expenditure (General)	-	-	-	-	0	0	0	0	<b>0</b>
<b>Pilmuir Sub Total</b>	<b>1,952,651</b>	<b>7,349</b>	<b>1,945,302</b>	<b>52,200</b>	<b>12,053</b>	<b>0</b>	<b>1,225</b>	<b>0</b>	<b>13,278</b>
<b>St Leonards</b>									
St Leonards Farmhouse Buildings	251,111	4,889	246,222	9,600	315	0	454	0	<b>769</b>
St Leonards Cottage & Park	209,471	5,529	203,942	5,400	304	0	78	0	<b>382</b>
St Leonards Hut	3,200	3,200	0	0	1,193	0	31	0	<b>1,224</b>
St Leonards Grazings (Lot 1)	135,000	0	135,000	1,349	0	0	0	0	<b>0</b>
St Leonards Horse Gallop	17,000	0	17,000	600	0	0	0	0	<b>0</b>
St Leonards Grazings (Lot 2)	267,000	0	267,000	7,191	0	0	0	0	<b>0</b>
Property Expenditure (General)	-	-	-	-	0	0	0	0	<b>0</b>
<b>St Leonards Sub Total</b>	<b>882,782</b>	<b>13,618</b>	<b>869,164</b>	<b>24,140</b>	<b>1,812</b>	<b>0</b>	<b>563</b>	<b>0</b>	<b>2,375</b>
<b>Total</b>	<b>3,674,858</b>	<b>42,792</b>	<b>3,632,066</b>	<b>96,116</b>	<b>38,058</b>	<b>7,810</b>	<b>3,524</b>	<b>2,595</b>	<b>51,987</b>

## HAWICK COMMON GOOD FUND

## INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	102,901	192,394
17 January 2014	30,010	56,884
24 January 2014	29,680	56,036
3 February 2014	28,602	53,857
<b>Total Invested to 30 September 2015</b>	<b>191,193</b>	<b>359,171</b>

Value of Investment	£
31 March 2015	377,491
30 June 2015	366,766
30 September 2015	356,326
31 December 2015	
31 March 2016	
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>(2,845)</b>



Note:

Benchmark is a performance aim of cash returns (1month GBP LIBOR) plus 4% per annum on a rolling 5 year average. Therefore if GBP 1 month LIBOR is 0.5% p.a., the benchmark for the Newton Fund is 4.5%. It is not an equity market based benchmark.

The following chart shows the Newton Funds quarterly return performance against the Benchmark and against an equity performance index (MSCI AC World Index).

