
MONITORING REPORT FOR 9 MONTHS TO 31 DECEMBER 2021 AND PROPOSED BUDGET FOR FINANCIAL YEAR 2022/23

Report by Director – Finance & Corporate Governance

HAWICK COMMON GOOD FUND SUB-COMMITTEE

15 March 2022

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Hawick Common Good Fund for nine months to 31 December 2021, a full year projected out-turn for 2021/22, projected balance sheet values as at 31 March 2022 and proposed budget for 2022/23.**
- 1.2 Appendix 1 provides the projected income and expenditure position for 2021/22. This shows a projected deficit of £26,536 for the year, which is less than the surplus figure reported at the 23 November 2021 meeting, due to the delay in receipt of the Pilmuir Servitude income now expected in 2022/23.
- 1.3 Appendix 2 provides a projected balance sheet value as at 31 March 2022. It shows a projected decrease in reserves of £76,523.
- 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 31 December 2021.
- 1.5 Appendix 3b provides a breakdown of the property portfolio showing projected property expenditure for 2021/22 and actual property expenditure to 31 December 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 31 December 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) Agrees the proposed budget for 2022/23 as shown in Appendix 1;**

- (c) Notes the projected balance sheet value as at 31 March 2022 in Appendix 2;**
- (d) Notes the summary of the property portfolio in Appendices 3 and 4; and**
- (e) 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 December 2021, projections to 31 March 2022 and proposed budgets for 2022/23. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2022 and 31 March 2023.

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 deficit of £26,536. Also included is the proposed budget for 2022/23.

4.2 Income & Expenditure –Property Income

- (a) Rental income for 2021/22 is shown in Appendices 1 & 3a, with Appendix 3a detailing the actual annual rental income by individual property. Actual income is reported on a cash basis until the year end with quarter 4 reports incorporating any annual adjustments for prepayments and accruals.
- (b) Proposed rental income for Hawick Golf Club in 2022/23 has reduced by £4,570 due to the completion in September 2022 of the multi year grant award and the proposed rental from October 2022 of £60 per annum.

4.3 Income & Expenditure – Non-Property Related Income

- (a) The projected outturn position shows an amount of £550 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 £18,965 which is estimated at 4.5% return in the current year as a result of the market value dropping due to the impact of the COVID-19, with the proposed budget for 2022/23 returning to the 5% target and the monthly distribution profile projections provided by Aegon. The position will be monitored closely with Aegon Asset Management.
- (b) Included within other income is a rebate from Aegon Asset Management of £232 which, along with the £113 received in March 2021, has been re-invested to purchase an additional 317 units.
- (c) Income from the Pilmuir Servitude has been delayed until 2022/23 due to additional works now being carried out (installation of additional polls and underground lines near Hawick Golf Club); this has increased the expected income to £75,000.

4.4 Income & Expenditure – Property Expenditure

- (a) The property expenditure for 2021/22 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 total proposed budget for 2022/23 is shown in Appendix 1.

- (c) Appendices 3a and 3b now show a full breakdown of the proposed budget for property rental and repairs for 2022/23. These will be revised as further information is received.

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 31 December 2021		
Hawick Recreational	25/01/21	7,374
Hornshole Greenway Project	25/05/21	7,000
Escape Youth Services	18/06/21	4,865
Hawick Golf Club	28/05/19	9,200
Hawick Ambulance Station	17/08/21	60
Total Paid to 31 March 2022		28,499
Approved but not yet paid		
Hawick Salvation Army hire of Hall for Xmas Service (recurring annual payment)	19/03/19	200
Hawick in Bloom (multi-year award)	26/11/19	1,888
Total Grants Approved not paid		2,088
2021/22 Budget		52,000
<i>(Unallocated)/Overallocated Budget</i>		<i>(21,413)</i>
2022/23 Future Commitments		
Hawick Golf Club (multi-year award, final Sep 22)	28/05/19	£4,600

The budget for 2022/23 is proposed at £46,000, which is the average of the previous 3 years grant expenditure.

4.6 Income & Expenditure – Central Support Service Charge

The proposed charge for 2022/23 is currently estimated using a 2% uplift on the 2021/22 charge. This is subject to revision once a full Service Charge Review has been completed and approved by Council.

4.7 Income & Expenditure – Depreciation Charge

The projected depreciation charge for the year is £64,341. 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.

- 4.8 Appendix 2 provides the actual balance sheet value as at 31 March 2021, the projected movement in year and a projected balance sheet as at 31 March 2022; along with projected balance to 31 March 2023.

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 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; along with projected value at 31 March 2023.

4.10 Balance Sheet – Investment Fund

The fund has a 3.93% 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 25.02% since investment in February 2018.

4.11 Balance Sheet – Cash Balance

The cash held by the fund is projected to be £114,101 at 31 March 2022 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2021	141,099
Projected surplus for year from Income & Expenditure Statement	(26,536)
Net cash movement in Debtors/Creditors	0
Rebate Investment in Aegon	(462)
Projected Closing Balance at 31 March 2022	114,101

4.12 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, with an estimate for the current years' movement based on the market position at 31 December 2021.

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 their 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, Director (People Performance & Change), the Clerk to the Council and Communications have been consulted and their appropriate comments have been incorporated into this report.

Approved by

David Robertson

Director, Finance & Corporate Governance Signature

Author(s)

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Background Papers:

Previous Minute Reference: Hawick Common Good Committee 23 November 2021.

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 Pension & Investments, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA.

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**HAWICK COMMON GOOD FUND
PROJECTED INCOME AND EXPENDITURE 2021/22 AND 2022/23**

APPENDIX 1

	Actuals at 31/12/21	Full Year Approved Budget 2021/22	Full Year Projected Out-turn 2021/22	Full Year Projected Over/ (Under) Spend 2021/22	Full Year Proposed Budget 2022/23	Para Ref	Commentary
	£	£	£	£	£		
Property Income							
Rental Income	(120,339)	(100,101)	(100,101)		(95,472)	4.2	
Non-Property Related Income							
Interest on Cash deposited with Council	0	(550)	(550)		(550)	4.3	Est 4.5% / 5% return
Investment Fund – Dividends Rec'd	(13,885)	(18,965)	(18,965)		(21,113)	4.3	
Other Income	(232)	(640)	(640)		(450)	4.3	
Pilmuir Servitude	0	(52,000)	0	52,000	(75,000)	4.3	
Total Income	(134,456)	(172,256)	(120,256)	52,000	(192,585)		
Property Costs Detailed in App'x 3b	64,343	82,650	82,650		49,100	4.4	
Cost of Tree Planting	0	0	0		0	4.4	
Grants & Other Donations	28,499	52,000	52,000		46,000	4.5	3 year average
Central Support Service Charge	12,142	12,142	12,142		12,385	4.6	Subject to review
Depreciation							
Depreciation Charge	0	64,341	64,341		64,341	4.7	
Contribution from Revaluation Reserve	0	(64,341)	(64,341)		(64,341)	4.7	
Net impact of Depreciation on Revenue Reserve	0	0	0		0		
Total Net (Surplus)/Deficit for year	(29,472)	(25,464)	26,536	52,000	(85,100)		

PROJECTED BALANCE SHEET VALUE AT 31 MARCH 2022 AND 31 MARCH 2023

	Opening Balance at 01/04/21 £	Projected Movement in Year £	Projected Closing Balance at 31/03/22 £	Projected Closing Balance at 31/03/23 £
Fixed Assets				
Land & Buildings	4,363,568	(64,341)	4,299,227	4,234,886
Heritable Assets	3,000	0	3,000	3,000
Feu Duties	18	0	18	18
Total Fixed Assets	4,366,586	(64,341)	4,302,245	4,237,904
Capital in Investment Funds				
Investment Fund Book Value	456,703	462	457,165	457,627
Unrealised Gains/(Loss)	3,608	14,354	17,962	17,962
Market Value	460,311	14,816	475,127	475,589
Current Assets				
Debtors	29,876	0	29,876	29,876
Cash deposited with SBC	141,099	(26,998)	114,101	198,739
Total Current Assets	170,975	(26,998)	143,977	228,615
Current Liabilities				
Creditors	(6,566)	0	(6,566)	(6,566)
Receipts in Advance	(10,192)	0	(10,192)	(10,192)
Total Current Liabilities	(16,758)	0	(16,758)	(16,758)
Net Assets	4,981,114	(76,523)	4,904,591	4,925,350
Funded by: Reserves				
Revenue Reserve	(151,749)	26,536	(125,213)	(210,313)
Capital Reserve	(598,614)	(14,354)	(612,968)	(612,968)
Revaluation Reserve	(4,230,751)	64,341	(4,166,410)	(4,102,069)
Total Reserves	(4,981,114)	76,523	(4,904,591)	(4,925,350)

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APPENDIX 3a
PROPERTY PORTFOLIO PERFORMANCE FOR 2021/22
(Actual income to 31 December 2021 and projected 2022/23)

Rental Income – Land & Buildings	2021/22				2022/23	
	Approv'd Budget 2021/22 £	Project'd Out-turn 2021/22 £	Actuals as at 31/12/21 £	Project'd Net (Return) /Loss £	Propos'd Budget £	Propos'd Net (Return) /Loss £
General						
Moat Park	0	0	0	0	0	0
Moat Park Playground	0	0	0	0	0	0
Hawick Golf Course	(9,200)	(9,200)	(9,200)	(9,200)	(4,630)	(4,630)
Acreknowe Reservoir (Part)	0	0	0	0	0	0
Williestruther Loch/Path	(400)	(400)	(700)	(400)	(400)	(400)
Williestruther Cottage	(4,875)	(4,875)	(8,666)	675	(6,500)	(6,300)
Lothian Street Store	(2,550)	(2,550)	(2,684)	(2,550)	(2,550)	(2,550)
Common Haugh Car Park	(1,289)	(1,289)	(3,705)	6,711	0	(1,289)
Hawick Moor Racecourse & Bldgs	(700)	(700)	0	(700)	(700)	(700)
Hawick Moor Shootings	(300)	(300)	(415)	(300)	(300)	(300)
Woodend Grazings (West)	(195)	(195)	0	(195)	0	(195)
Millpath Stables	0	0	0	500	0	500
Ca'Knowe Monument	0	0	0	0	0	0
Volunteer Park & Stand	(1,750)	(1,750)	(2,758)	(1,750)	(1,750)	(1,750)
Hawick Burgh Woodlands	0	0	0	0	0	0
Woodend Grazings (East)	(195)	(195)	(215)	(195)	(195)	(195)
Hawick Golf Club Sub Stn Site	(75)	(75)	0	(75)	(75)	(75)
Common Riding	0	0	0	0	0	0
Haggis Ha/Burnflat Wall	0	0	0	0	0	0
100 Stairs and Adjacent Land	0	0	0	0	0	0
Underhaugh, Little Haugh	(200)	(200)	0	(200)	0	0
Property Expenditure General	0	0	0	30,000	0	30,000
General Sub Total	(21,729)	(21,729)	(28,343)	22,321	(17,100)	13,600
Pilmuir						
Pilmuir Farm	(45,000)	(45,000)	(40,750)	(8,600)	(45,000)	(29,600)
Pilmuir Farm Cottage	(7,200)	(7,200)	(9,600)	(7,000)	(7,200)	(7,200)
Pilmuir Farm Shed & Silage Pit	0	0	0	0	0	0
Pilmuir Sub Total	(52,200)	(52,200)	(50,350)	(15,600)	(52,200)	(36,800)
St Leonards						
St Leonards Farmhouse Buildings	(9,600)	(9,600)	(16,173)	(7,600)	(9,600)	(6,600)
St Leonards Cottage & Park	(8,472)	(8,472)	(11,296)	(8,472)	(8,472)	(8,472)
St Leonards Hut	0	0	0	0	0	0
St Leonards Grazings (Lot 1B)	(7,500)	(7,500)	(13,125)	(7,500)	(7,500)	(7,500)
St Leonards Horse Gallop	(600)	(600)	(1,050)	(600)	(600)	(600)
St Leonards Grazings (Lot 1A)	-	-	0	-	-	-
St Leonards Sub Total	(26,172)	(26,172)	(41,644)	(24,172)	(26,172)	(23,172)
Total	(100,101)	(100,101)	(120,337)	(17,451)	(95,472)	(46,372)

PROPERTY PORTFOLIO PERFORMANCE FOR 2021/22
(Actual expenditure to 31 December 2021 and projected 2022/23)

Property Expenditure – Land & Buildings	2021/22				2022/23
	Approv'd Budget	Actual (Repair & Maint	Actual (Other)	Actual Total	Propos'd Budget
	£	£	£	£	£
General					
Moat Park	0	0	0	0	0
Moat Park Playground	0	0	0	0	0
Hawick Golf Course	0	0	0	0	0
Acreknowe Reservoir (Part)	0	0	0	0	0
Williestruther Loch/Path	0	1,050	0	1,050	0
Williestruther Cottage	5,550	273	0	273	200
Lothian Street Store	0	216	(26)	190	0
Common Haugh Car Park	8,000	74	595	669	0
Hawick Moor Racecourse & Bldgs	0	4,875	81	4,956	0
Hawick Moor Shootings	0	0	0	0	0
Woodend Grazings (West)	0	0	0	0	0
Millpath Stables	500	0	305	305	500
Ca'Knowe Monument	0	0	0	0	0
Volunteer Park & Stand	0	697	0	697	0
Hawick Burgh Woodlands	0	998	0	998	0
Woodend Grazings (East)	0	0	0	0	0
Hawick Golf Club Sub Stn Site	0	0	0	0	0
Common Riding	0	0	0	0	0
Haggis Ha/Burnflat Wall	0	0	00	0	0
100 Stairs and Adjacent Land	0	0	0	0	0
Property Expenditure General	30,000	367		367	30,000
General Sub Total	44,050	8,550	955	9,505	30,700
Pilmuir					
Pilmuir Farm	36,400	35,883	0	35,883	15,400
Pilmuir Farm Cottage	200	407	0	407	0
Pilmuir Farm Shed & Silage Pit	0	0	0		0
Pilmuir Sub Total	36,600	36,290	0	36,290	15,400
St Leonards					
St Leonards Farmhouse Buildings	2,000	13,662	0	13,662	3,000
St Leonards Cottage & Park	0	3,597	0	3,597	0
St Leonards Hut	0	1,004	284	1,288	0
St Leonards Grazings (Lot 1B)	0	0	0	0	0
St Leonards Horse Gallop	0	0	0	0	0
St Leonards Grazings (Lot 1A)	0	0	0	0	0
St Leonards Sub Total	2,000	18,263	284	18,547	3,000
Total	82,650	63,103	1,239	64,342	49,100

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APPENDIX 4

PROPERTY PORTFOLIO VALUATION FOR 2021/22 (Projected property valuation to 31 March 2022 and 31 March 2023)

Fixed Assets – Land & Buildings	Net Book Value at 01/04/21 £	Project'd Depn Charge 2021/22 £	Project'd Net Book Value at 31/03/22 £	Project'd Depn Charge 2022/23 £	Project'd Net Book Value at 31/03/23 £
General					
Moat Park	0	0	0	0	0
Moat Park Playground	0	0	0	0	0
Hawick Golf Course	66,000	0	66,000	0	66,000
Acreknowe Reservoir (Part)	0	0	0	0	0
Williestruther Loch/Path	5,700	0	5,700	0	5,700
Williestruther Cottage	187,998	6,000	181,998	6,000	175,998
Lothian Street Store	16,919	540	16,379	540	15,839
Common Haugh Car Park	82,000	0	82,000	0	82,000
Hawick Moor Racecourse & Bldgs	45,400	2,300	43,100	2,300	40,800
Hawick Moor Shootings	1,500	0	1,500	0	1,500
Woodend Grazings (West)	1,800	0	1,800	0	1,800
Millpath Stables	26,950	1,025	25,925	1,025	24,900
Ca'Knowe Monument	0	0	0	0	0
Volunteer Park & Stand including 3G Pitch and Site (Part of Tennis Court)	376,553	28,225	348,328	28,225	320,103
Hawick Burgh Woodlands	318,000	0	318,000	0	318,000
Woodend Grazings (East)	1,500	0	1,500	0	1,500
Hawick Golf Club Sub Stn Site	750	0	750	0	750
Common Riding	0	0	0	0	0
Haggis Ha/Burnflat Wall	0	0	0	0	0
100 Stairs and Adjacent Land	0	0	0	0	0
Property Expenditure General	-	-	-	-	-
General Sub Total	1,131,070	38,090	1,092,980	38,090	1,054,890
Pilmuir					
Pilmuir Farm	1,984,665	7,667	1,976,998	7,667	1,969,331
Pilmuir Farm Cottage	189,716	5,142	184,574	5,142	179,432
Pilmuir Farm Shed & Silage Pit	0	0	0	0	0
Pilmuir Sub Total	2,174,381	12,809	2,161,572	12,809	2,148,763
St Leonards					
St Leonards Farmhouse Buildings	271,649	6,675	264,974	6,675	258,299
St Leonards Cottage & Park	206,464	6,767	199,697	6,767	192,930
St Leonards Hut	3,000	0	3,000	0	3,000
St Leonards Grazings (Lot 1B)	290,000	0	290,000	0	290,000
St Leonards Horse Gallop	20,000	0	20,000	0	20,000
St Leonards Grazings (Lot 1A)	267,000	0	267,000	0	267,000
St Leonards Sub Total	1,058,113	13,442	1,044,671	13,442	1,031,229
Total	4,363,564	64,341	4,299,223	64,341	4,234,882

Fixed Assets – Moveable Assets	Net Book Value at 31/03/22 £	Net Book Value at 31/03/23 £
Official Robes	0	0
Pictures in Municipal Buildings	0	0
Provost's Chain	0	0
Feu Duty Redemptions	18	18
Hizzie Leathers	3,000	3,000
James Wilson Statue	0	0
Total	3,018	3,018

INVESTMENTS EXTERNALLY MANAGED

Cost of Investment	Units	£
Aegon Asset Management Investment (February 2018)	420,634	455,420
Aegon Fund Rebate (2018-2019)	430	465
Aegon Fund Rebate (2019-2020)	349	389
Aegon Fund Rebate (2020-2021)	426	429
Aegon Fund Rebate (2021-2022)	317	345
Total Invested to 31 December 2021	422,156	457,048

Value of Investment	£
31 March 2018	453,948
31 March 2019	459,044
31 March 2020	387,110
31 March 2021	460,311
30 June 2021	461,859
30 September 2021	458,598
31 December 2021	475,010
Unrealised Gain/(Loss) on Investment	17,962

Return on Investment from inception	Capital Return %	Total Return %
to 31 March 2018	-0.03	
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 30 June 2021	+1.10	+18.71
to 30 September 2021	+0.36	+19.52
to 31 December 2021	+3.93	+25.02