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

Report by Director – Finance & Corporate Governance

KELSO COMMON GOOD FUND SUB-COMMITTEE

22 March 2022

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Kelso 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 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 £44,179.
- 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 surplus of £6,611. Also included is the proposed budget for 2022/23.

4.2 Income & Expenditure – Property Income

There is no Rental Income from the properties owned by the Kelso Common Good Fund.

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 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 £135 which, along with the £65 received in March 2021, has been re-invested to purchase an additional 184 units.

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 total proposed budget for 2022/23 is shown in Appendix 1.

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		
Visit Kelso	15/06/21	2,000
Kelso Over 60's Club	08/12/21	400
Total Paid to 31 March 2022		2,400
Proposed Budget 2021/22		3,000
<i>(Unallocated)/Overallocated Budget</i>		<i>(600)</i>

The budget for 2021/22 is proposed at £3,000, 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 £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.

4.8 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 £49,597 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	(268)
Closing Balance as at 31 March 2022	49,597

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 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, 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: Kelso Common Good Committee 16 November 2021

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**KELSO 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	0	0	0		0	4.2	
Non-Property Related Income							
Interest on Cash deposited with Council	(0)	(150)	(150)		(150)	4.3	Est. 4.5% / 5% return
Investment Fund – Dividends Rec'd	(8,066)	(11,015)	(11,015)		(12,265)	4.3	
Other Income	(135)	(290)	(290)		(270)	4.3	
Total Income	(8,201)	(11,455)	(11,455)		(12,685)		
Property Expenditure							
Property Costs – General	0	0	0		0	4.4	
Total Property Expenditure	0	0	0		0		
Grants & Other Donations	2,400	3,000	3,000		3,000	4.5	3 year average
Central Support Service Charge	1,844	1,844	1,844		1,881	4.6	Subject to review
Depreciation							
Depreciation Charge	0	59,129	59,129		59,129	4.7	
Contribution from Revaluation Reserve	(0)	(59,129)	(59,129)		(59,129)	4.7	
Net impact of Depreciation on Revenue Reserve	0	0	0		0		
Total Net (Surplus)/Deficit for year	(3,957)	(6,611)	(6,611)		(7,804)		

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	859,242	(59,129)	800,113	740,984
Moveable Assets	19,080	0	19,080	19,080
Feu Duties	0	0	0	0
Total Fixed Assets	878,322	(59,129)	819,193	760,064
Capital in Investment Fund				
Investment Fund Book Value	265,295	268	265,563	265,831
Unrealised Gains/(Loss)	2,115	8,339	10,454	10,454
Market Value	267,410	8,607	276,017	276,285
Current Assets				
Debtors	961	0	961	961
Cash deposited with SBC	43,254	6,343	49,597	57,133
Total Current Assets	44,215	6,343	50,558	58,094
Current Liabilities				
Creditors	0	0	0	0
Receipts in Advance	0	0	0	0
Total Current Liabilities	0	0	0	0
Net Assets	1,189,947	(44,179)	1,145,768	1,094,443
Funded by:				
Reserves				
Revenue Reserve	(63,398)	(6,611)	(70,009)	(77,813)
Capital Reserve	(248,227)	(8,339)	(256,566)	(256,566)
Revaluation Reserve	(878,322)	59,129	(819,193)	(760,064)
Total Reserves	(1,189,947)	44,179	(1,145,768)	(1,094,443)

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	Project'd Budget	Actual	Project'd Net (Return) /Loss	Propos'd Budget	Propos'd Net Return
	£	£	£	£	£	£
Tait Hall	0	0	0	0	0	0
Pinnaclehill Woodlands	0	0	0	0	0	0
Total	0	0	0	0	0	0

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
	£	£	£	£	£
Tait Hall	0	0	0	0	0
Pinnaclehill Woodland	0	0	0	0	0
Total	0	0	0	0	0

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
	£	£	£	£	£
Tait Hall	854,742	59,129	795,613	59,129	736,484
Pinnaclehill Woodlands	4,500	0	4,500	0	4,500
Total	859,242	59,129	800,113	59,129	740,984

Fixed Assets – Moveable Assets	Net Book Value at 31/03/22	Net Book Value at 31/03/23
	£	£
Silver Bowl & Salver	19,080	19,080
Total	19,080	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)	184	200
Total Invested to 31 December 2021	245,245	265,495

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
30 September 2021	266,415
31 December 2021	275,949
Increase/(Decrease) from Total Cash Invested	10,454

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
to 30 September 2021	+0.36	+19.52
to 31 December 2021	+3.93	+25.02