
MONITORING REPORT FOR 12 MONTHS TO 31 MARCH 2022

Report by Director – Finance & Corporate Governance

KELSO COMMON GOOD FUND SUB-COMMITTEE

21 June 2022

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Kelso Common Good Fund for the year 2021/22 including balance sheet values as at 31 March 2022, a full year projected out-turn for 2022/23, and projected balance sheet values as at 31 March 2023.**
- 1.2 Appendix 1 provides the actual income and expenditure for 2021/22. This shows a surplus of £9,541 for the year, which is better than the previously reported surplus on 22 March 2022, as a result of an increase in the return from the Aegon Investment Fund and an underspend in the Grants and Donations budget.
- 1.3 Appendix 2 provides an actual balance sheet value as at 31 March 2022. It shows a decrease in reserves of £41,002, mainly due to the annual release from Revaluation Reserve.
- 1.4 Appendix 3a provides a breakdown of the property portfolio showing actual rental income and net return for 2021/22.
- 1.5 Appendix 3b provides a breakdown of the property portfolio showing actual property expenditure for 2021/22.
- 1.6 Appendix 4 provides a breakdown of the property portfolio showing actual property valuations at 31 March 2022.
- 1.7 Appendix 5 shows the value of the Aegon Asset Management Investment Fund to 31 March 2022.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Fund Sub-Committee:**
 - (a) Notes the actual income and expenditure for 2021/22 in Appendix 1;**
 - (b) Agrees the projected income and expenditure for 2022/23 in Appendix 1 as the revised budget for 2022/23;**
 - (c) Notes the final balance sheet value as at 31 March 2022, and projected balance sheet value as at 31 March 2023 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 March 2022 and projections to 31 March 2023. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2023.

4 FINANCIAL POSITION 2021/22

4.1 Appendix 1 provides details on income and expenditure for the 2021/22 financial year, which resulted in a surplus of £9,541, as well as projections 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 final outturn position shows an amount of £23 relating to interest receivable on cash held by SBC, a drop from projections due to the prolonged lower level of interest rates. Also included are dividends from the Common Good Funds investment in Aegon Asset Management amounting to £13,489 which is slightly ahead of the revised projection of 4.5% return, with the projection 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 £204 which, along with the £65 received in March 2021, has been re-invested to purchase an additional 244 units. Rebate income received in March 2022 of £69 has been accounted for within income but the corresponding 65 units were not purchased until April 2022.

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 projected expenditure for 2022/23 is shown in Appendix 1.
- (c) Appendices 3a and 3b show a full breakdown of the projected 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 March 2022		
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>
Future Commitments 2022/23		
E Dalzian – Girl Guide Jamboree	22/03/22	250

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 depreciation charge for the year is £61,479. 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 2022, and a projected balance sheet as at 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.

The list of Land & Buildings in Appendix 4 has been updated to reflect the current position regarding the consultation on Common Good Assets being led by Legal dept, which has resulted in the addition of Croft Park, Croft Park Play Area, Croft Park Toilet and the War Memorial.

A report will be submitted to Council in September setting out the results of the consultation on Common Good assets.

4.10 Balance Sheet – Investment Fund

The fund has a 0.68% 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 22.56% since investment in February 2018.

4.11 Balance Sheet – Cash Balance

The cash held by the fund is £37,146 at 31 March 2022 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2021	43,254
Surplus for year from Income & Expenditure Statement	9,541
Net Cash Movement in Debtors/Creditors	(380)
Investment in Aegon Asset Management	(15,000)
Rebate Investment in Aegon	(269)
Closing Balance as at 31 March 2022	37,146

4.12 Balance Sheet – Capital Reserve

The movement in the Capital Reserves include the unrealised gain for the Aegon Asset Management Fund as at 31 March 2022, 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, 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 8 December 2021 and 22 March 2022

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.

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

APPENDIX 1

	Actuals at 31/03/22	Full Year Approved Budget 2021/22	Over/ (Under) Spend 2021/22	Full Year Approved Budget 2022/23	Full Year Projected Out-turn 2022/23	Full Year Projected Over/ (Under) Spend 2022/23	Para Ref
	£	£	£	£	£	£	
Property Income							
Rental Income	0	0	0	0	0		4.2
Non-Property Related Income							
Interest on Cash deposited with Council	(23)	(150)	127	(150)	(150)		4.3
Investment Fund – Dividends Rec'd	(13,489)	(11,015)	(2,474)	(12,265)	(12,265)		4.3
Other Income	(273)	(290)	17	(270)	(270)		4.3
Total Income	(13,785)	(11,455)	(2,330)	(12,685)	(12,685)		
Property Costs – General	0	0	0	0	0		4.4
Grants & Other Donations	2,400	3,000	(600)	3,000	3,000		4.5
Central Support Service Charge	1,844	1,844	0	1,881	1,881		4.6
Depreciation							
Depreciation Charge	61,479	59,129	2,350	59,129	61,479	2,350	4.7
Contribution from Revaluation Reserve	(61,479)	(59,129)	(2,350)	(59,129)	(61,479)	(2,350)	4.7
Net impact of Depreciation on Revenue Reserve	0	0	0	0	0	0	
Total Net (Surplus)/Deficit for year	(9,541)	(6,611)	(2,930)	(7,804)	(7,804)	0	

BALANCE SHEET VALUE AS AT 31 MARCH 2022

	Opening Balance At 01/04/21 £	Movement in Year £	Closing Balance at 31/03/22 £	Projected Closing Balance at 31/03/23 £
Fixed Assets				
Land & Buildings	859,242	(50,479)	808,763	747,284
Moveable Assets	19,080	0	19,080	19,080
Feu Duties	0	0	0	0
Total Fixed Assets	878,322	(50,479)	827,843	766,364
Capital in Investment Fund				
Investment Fund Book Value	265,295	15,269	280,564	280,833
Unrealised Gains/(Loss)	2,115	(64)	2,051	2,051
Market Value	267,410	15,205	282,615	282,884
Current Assets				
Debtors	961	380	1,341	1,341
Cash deposited with SBC	43,254	(6,108)	37,146	44,681
Total Current Assets	44,215	(5,728)	38,487	46,022
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	(41,002)	1,148,945	1,095,270
Funded by:				
Reserves				
Revenue Reserve	(63,398)	(9,541)	(72,939)	(80,743)
Capital Reserve	(248,227)	64	(248,163)	(248,163)
Revaluation Reserve	(878,322)	50,479	(827,843)	(766,364)
Total Reserves	(1,189,947)	41,002	(1,148,945)	(1,095,270)

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

Rental Income – Land & Buildings	2021/22			2022/23	
	Approv'd Budget	Actual	Project'd Net (Return) /Loss	Propos'd Budget	Propos'd Net Return
	£	£	£	£	£
Croft Park Toilet	0	0	0	0	0
Kelso Tait Hall	0	0	0	0	0
Kelso War Memorial	0	0	0	0	0
Croft Park	0	0	0	0	0
Croft Park Play Area	0	0	0	0	0
Pinnaclehill Woodlands	0	0	0	0	0
Total	0	0	0	0	0

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

Property Expenditure – Land & Buildings	2021/22				2022/23
	Approv'd Budget	Actual (Repair & Maint)	Actual (Other)	Actual Total	Approv'd Budget
	£	£	£	£	£
Croft Park Toilet	0	0	0	0	0
Kelso Tait Hall	0	0	0	0	0
Kelso War Memorial	0	0	0	0	0
Croft Park	0	0	0	0	0
Croft Park Play Area	0	0	0	0	0
Pinnaclehill Woodlands	0	0	0	0	0
Total	0	0	0	0	0

PROPERTY PORTFOLIO VALUATION FOR 2021/22

(Actual property valuation to 31 March 2022 and projected to 31 March 2023)

Fixed Assets – Land & Buildings	Net Book Value at 01/04/21	Adjustment (see Para 4.9 above)	Depn Charge 2021/22	Net Book Value at 31/03/22	Project'd Depn Charge 2022/23	Project'd Net Book Value at 31/03/23
	£	£	£	£	£	£
Croft Park Toilet	0	11,000	(2,350)	8,650	(2,350)	6,300
Kelso Tait Hall	854,742	0	(59,129)	795,613	(59,129)	736,484
Kelso War Memorial	0	0	0	0	0	0
Croft Park	0	0	0	0	0	0
Croft Park Play Area	0	0	0	0	0	0
Pinnaclehill Woodlands	4,500	0	0	4,500	0	4,500
Total	859,242	11,000	(61,479)	808,763	(61,479)	747,284

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 Asset Management Investment (March 2022)	13,951	15,000
Aegon Fund Rebate – (2021-2022)	244	269
Total Invested to 31 March 2022	259,256	280,564

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
31 March 2022	282,615
Increase/(Decrease) from Total Cash Invested	2,051

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
to 31 March 2022	+0.68	+22.56