
MONITORING REPORT FOR 12 MONTHS TO 31 MARCH 2022 AND PROPOSED BUDGET FOR FINANCIAL YEAR 2022/23

Report by Director – Finance & Corporate Governance

MELROSE COMMON GOOD FUND SUB-COMMITTEE

27 June 2022

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 2021/22 including balance sheet values as at 31 March 2022 and proposed budget for 2022/23.**
- 1.2 Appendix 1 provides the actual income and expenditure for 2021/22. This shows a surplus of £521 for the year, which is better than the projected surplus as a result of an improvement in the return on the Aegon Investment Fund.
- 1.3 Appendix 2 provides an actual balance sheet value as at 31 March 2022. It shows a decrease in the reserves of £2,770, mainly due to the annual release from Revaluation Reserve, and partly off-set by the surplus for the year.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing actual property valuations at 31 March 2022.
- 1.5 Appendix 4 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 proposed budget for 2022/23 as shown in Appendix 1;**
 - (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 Appendix 3; and**
 - (e) Notes the current position of the Aegon Asset Management Investment Fund in Appendix 4.**

3 BACKGROUND

- 3.1 Melrose Town 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 2022 and proposed budgets for 2022/23. 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 detail on income and expenditure for the 2021/22 financial year, which resulted in a surplus of £521, as well as the proposed budget for 2022/23.

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 final outturn position shows an amount of £5 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 £506 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 for the year is a rebate from Aegon Asset Management of £8 which, along with the £2 received in March 2021, has been re-invested to purchase an additional 9 units. Rebate income received in March 2022 of £2 has been accounted for within income but the corresponding 2 units were not purchased until April 2022.

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 2022, actual depreciation charges for 2021/22 and projected values at 31 March 2023.

The list of both Land & Buildings and Moveable Assets in Appendix 3 have been updated to reflect the current position regarding the consultation exercise on Common Good Assets being led by Legal dept. This has resulted in 2 Moveable Assets being included in the report, however there is no change to the value of assets held in the Balance Sheet.

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

4.8 **Balance Sheet – Investment Fund**

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

4.9 **Balance Sheet – Cash Balance**

The cash held by the fund is £9,006 at 31 March 2022 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2021	8,507
Surplus for year from Income & Expenditure Statement	521
Net cash movement in Debtors/Creditors	(12)
Rebate Investment in Aegon	(10)
Closing Balance at 31 March 2022	9,006

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 2022 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 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, 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, Finance & Corporate Governance

Signature

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Background Papers:

Previous Minute Reference: – Melrose Common Good 14 December 2021

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MELROSE COMMON GOOD FUND
APPENDIX 1
ACTUAL INCOME AND EXPENDITURE 2021/22

	Actuals at 31/03/22	Full Year Approved Budget 2021/22	Over / (Under) Spend 2021/22	Proposed Budget 2022/23	Para Ref	Comments
	£	£	£	£		
Non-Property Related Income						
Investment Fund - Dividends Rec'd	(506)	(416)	(90)	(463)	4.3	Estimate 5% return
Other Income	(10)	(9)	(1)	(10)		
Interest on Cash deposited with Council	(5)	(9)	4	(5)		
Total Income	(521)	(434)	(87)	(478)		
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	(521)	(434)	(87)	(478)		

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	24,969	(3,281)	21,688	18,407
Moveable Assets	0	0	0	0
Total Fixed Assets	24,969	(3,281)	21,688	18,407
Capital in Investment Funds				
Investment Fund Book Value	10,010	10	10,020	10,030
Unrealised Gains/(Loss)	79	(10)	69	69
Market Value	10,089	0	10,089	10,099
Current Assets				
Debtors	36	12	48	48
Cash deposited with SBC	8,507	499	9,006	9,474
Total Current Assets	8,543	511	9,054	9,522
Current Liabilities				
Creditors	0	0	0	0
Receipts in Advance	0	0	0	0
Total Current Liabilities	0	0	0	0
Net Assets	43,601	(2,770)	40,831	38,028
Funded by: Reserves				
Revenue Reserve	(7,666)	(521)	(8,187)	(8,665)
Capital Reserve	(28,786)	10	(28,776)	(28,776)
Revaluation Reserve	(7,149)	3,281	(3,868)	(587)
Total Reserves	(43,601)	2,770	(40,831)	(38,028)

PROPERTY PORTFOLIO PERFORMANCE 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 £	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 £
Melrose Town Hall	24,969	(3,281)	21,688	(3,281)	18,407
Total	24,969	(3,281)	21,688	(3,281)	18,407

Fixed Assets – Moveable Assets	Net Book Value at 31/03/22 £
Art & Artefacts – held in locations below: <u>Galashiels Town Hall</u> Silver bowl, Gorham, USA <u>Paton Street, Galashiels</u> Painting of Leaderfoot	0

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
Aegon Fund Rebate – (2021-2022)	9	10
Total Invested to 31 March 2022	9,255	10,020

Value of Investment	£
31 March 2019	10,062
31 March 2020	8,485
31 March 2021	10,089
31 March 2022	10,089
Increase/(Decrease) from Total Cash Invested	69

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
to 31 March 2022	+0.68	+22.56