
MONITORING REPORT FOR 9 MONTHS TO 31 DECEMBER 2022 AND PROPOSED BUDGET FOR FINANCIAL YEAR 2023/24

Report by Acting Chief Financial Officer

KELSO COMMON GOOD FUND SUB-COMMITTEE

31 January 2023

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 2022, a full year projected out-turn for 2022/23, projected balance sheet values as at 31 March 2023 and proposed budget for 2023/24.**
- 1.2 Appendix 1 provides the projected income and expenditure position for 2022/23. This shows a projected surplus of £7,749 for the year, which is less than the surplus figure reported at the 15 November meeting, as a result of an increase to the Central Support Charge.
- 1.3 Appendix 2 provides a projected balance sheet value as at 31 March 2023. It shows a projected decrease in reserves of £53,730.
- 1.4 Appendix 3a provides a breakdown of the property portfolio showing projected rental income and projected net return for 2022/23 and actual property income to 31 December 2022.
- 1.5 Appendix 3b provides a breakdown of the property portfolio showing projected property expenditure for 2022/23 and actual property expenditure to 31 December 2022.
- 1.6 Appendix 4 provides a breakdown of the property portfolio showing projected property valuations at 31 March 2023.
- 1.7 Appendix 5 shows the value of the Aegon Asset Management Investment Fund to 31 December 2022.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Fund Sub-Committee:**
 - (a) Notes the projected income and expenditure for 2022/23 in Appendix 1 as the revised budget for 2022/23;**
 - (b) Agrees the proposed budget for 2023/24 as shown in Appendix 1;**

- (c) **Notes the 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 December 2022, projections to 31 March 2023 and proposed budgets for 2023/24. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2023 and 31 March 2024.

4 FINANCIAL POSITION 2022/23

4.1 Appendix 1 provides details on income and expenditure for the 2022/23 financial year. The projected net position for the year is a surplus of £7,749. Also included is the proposed budget for 2023/24.

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 £12,265, which is estimated at 5% return with the proposed budget for 2023/24 remaining at 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 £129 which, along with the £69 received in March 2022, has been re-invested to purchase an additional 203 units.

4.4 Income & Expenditure – Property Expenditure

(a) The property expenditure for 2022/23 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 2023/24 is shown in Appendix 1.

- (c) Appendices 3a and 3b show a full breakdown of the proposed budget for property rental and repairs for 2023/24. 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 2023 are shown below:

Grant Recipients	Approved	£
Approved and Paid to 31 December 2022		
E Dalzian – Girl Guide Jamboree	22/03/2022	250
Total Paid to 31 March 2023		250
Approved but not yet paid		
Kelso Over 60s Club	15/11/2022	400
Total Grants Approved not paid		400
Budget 2022/23		3,000
<i>(Unallocated)/Overallocated Budget</i>		<i>(2,250)</i>

The budget for 2023/24 is proposed at £2,500, 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 was estimated using a 2% uplift on the 2021/22 charge however, after confirmation of the 5% agreed pay award for 2022/23, an additional 3% has been added. The proposed charge for 2023/24 is currently estimated using a 2% uplift on the 2022/23 charge. A full Service Charge Review is due to be carried out in 2023/24.

4.7 Income & Expenditure – Depreciation Charge

The projected 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 1 April 2022, the projected movement in year and a projected balance sheet as at 31 March 2023; along with projected balance to 31 March 2024.

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, with interim review. A full revaluation was carried out at 1 April 2019, with an interim review at 31 March 2022. Appendix 4 shows the actual values of the individual properties at 1 April 2022, projected depreciation charges for 2022/23 and projected values at 31 March 2023; along with projected value at 31 March 2024. Adjustments required as part of the 2021/22 audit are now completed and those impacting the balance sheet value are listed in the table below:

Asset Adjustments	Re-valuation as at 31/3/2022 £
Croft Park Toilet	2,350
Kelso Tait Hall	177,386
	179,736

4.10 Balance Sheet – Investment Fund

The fund has a 11.43% unrealised loss 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 12.81% since investment in February 2018.

4.11 Balance Sheet – Cash Balance

The cash held by the fund is projected to be £44,626 at 31 March 2023 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2022	37,146
Projected Surplus for year from Income & Expenditure Statement	7,749
Net Cash Movement in Debtors/Creditors	0
Rebate Investment in Aegon	(269)
Projected Closing Balance as at 31 March 2023	44,626

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

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference: Kelso Common Good 15 November 2022

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**KELSO COMMON GOOD FUND
PROJECTED INCOME AND EXPENDITURE 2022/23 AND 2023/24**

APPENDIX 1

	Actuals at 31/12/22	Full Year Approved Budget 2022/23	Full Year Projected Out-turn 2022/23	Full Year Projected Over/ (Under) Spend 2022/23	Full Year Projected Budget 2023/24	Para Ref	Comments
	£	£	£	£			
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	
Investment Fund – Dividends Rec'd	(10,462)	(12,265)	(12,265)		(12,975)	4.3	Est 5% return
Other Income	(128)	(270)	(270)		(270)	4.3	
Total Income	(10,590)	(12,685)	(12,685)		(12,395)		
Property Costs – General	0	0	0		0	4.4	
Grants & Other Donations	250	3,000	3,000		2,500	4.5	3 year average
Central Support Service Charge	1,936	1,881	1,936	55	2,015	4.6	Subject to review
Depreciation							
Depreciation Charge	0	61,479	61,479		61,479	4.7	
Contribution from Revaluation Reserve	(0)	(61,479)	(61,479)		(61,479)	4.7	
Net impact of Depreciation on Revenue Reserve	0	0	0		0		
Total Net (Surplus)/Deficit for year	(8,404)	(7,804)	(7,749)	55	(8,880)		

PROJECTED BALANCE SHEET VALUE AS AT 31 MARCH 2023 AND 31 MARCH 2024

	Opening Balance at 01/04/22 £	Projected Movement in Year £	Projected Closing Balance at 31/03/23 £	Projected Closing Balance at 31/03/24 £
Fixed Assets				
Land & Buildings	988,500	(61,479)	927,021	865,542
Moveable Assets	19,080	0	19,080	19,080
Feu Duties	0	0	0	0
Total Fixed Assets	1,007,580	(61,479)	946,101	884,622
Capital in Investment Fund				
Investment Fund Book Value	280,564	269	280,833	281,102
Unrealised Gains/(Loss)	2,051	0	2,051	2,051
Market Value	282,615	269	282,884	283,153
Current Assets				
Debtors	1,341	0	1,341	1,341
Cash deposited with SBC	37,146	7,480	44,626	53,237
Total Current Assets	38,487	7,480	46,967	54,577
Current Liabilities	0			
Creditors	0	0	0	
Receipts in Advance		0	0	
Total Current Liabilities	0	0	0	
Net Assets	1,328,682	(53,730)	1,274,952	1,222,352
Funded by:				
Reserves				
Revenue Reserve	(72,939)	(7,749)	(80,688)	(89,567)
Capital Reserve	(248,163)	0	(248,163)	(248,163)
Revaluation Reserve	(1,007,580)	61,479	(946,101)	(884,622)
Total Reserves	(1,328,682)	53,730	(1,274,952)	(1,222,352)

PROPERTY PORTFOLIO PERFORMANCE FOR 2022/23
(Actual income to 31 December 2022 and projected 2023/24)

Rental Income – Land & Buildings	2022/23				2023/24	
	Approv'd Budget £	Project'd Out-turn 2022/23 £	Actuals as at 31/12/22 £	Projected Net (Return) /Loss £	Proposed Budget	Proposed Net (Return) /Loss £
Croft Park Toilet	0	0	0	0	0	0
Kelso Tait Hall	0	0	0	0	0	0
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	0	0	0	0	0	0
Total	0	0	0	0	0	0

PROPERTY PORTFOLIO PERFORMANCE FOR 2022/23
(Actual expenditure to 31 December 2022 and projected 2023/24)

Property Expenditure – Land & Buildings	2022/23				2023/24
	Approv'd Budget	Actual (Repair & Maint)	Actual (Other)	Actual Total	Proposed 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 2022/23
(Projected property valuation to 31 March 2023 and 31 March 2024)**

Fixed Assets – Land & Buildings	Net Book Value at 31/03/22 (Previously reported) £	Adjustment (see Note 4.9) £	Net Book Value at 01/04/22 £	Project'd Depn Charge 2022/23 £	Project'd Net Book Value at 31/03/23 £	Project'd Depn Charge 2023/24 £	Project'd Net Book Value at 31/03/24 £
Croft Park Toilet	8,650	2,350	11,000	(2,350)	8,650	(2,350)	6,300
Kelso Tait Hall	795,614	177,386	973,000	(59,129)	913,871	(59,129)	854,742
Kelso War Memorial	0	0	0	0	0	0	0
Croft Park	0	0	0	0	0	0	0
Croft Park Play Area	0	0	0	0	0	0	0
Pinnaclehill Woodlands	4,500	0	4,500	0	4,500	0	4,500
Total	808,764	179,736	988,500	(61,479)	927,021	(61,479)	865,542

Fixed Assets – Moveable Assets	Projected Net Book Value at 31/03/23 £	Projected Net Book Value at 31/03/24 £
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
Aegon Fund Rebate – (2022-2023)	203	198
Total Invested to 31 December 2022	259,459	280,762

Value of Investment	£
31 March 2018	243,760
31 March 2019	266,674
31 March 2020	224,885
31 March 2021	267,410
31 March 2022	282,615
30 June 2022	251,385
30 September 2022	235,577
31 December 2022	248,821
Increase/(Decrease) from Total Cash Invested	(31,941)

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
to 30 June 2022	-10.46	+10.70
to 30 September 2022	-16.12	+5.84
to 31 December 2022	-11.43	+12.81