
MONITORING REPORT FOR 12 MONTHS TO 31 MARCH 2023

Report by Acting Chief Financial Officer

KELSO COMMON GOOD FUND SUB-COMMITTEE

27 June 2023

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 2022/23 including balance sheet values as at 31 March 2023, a full year projected out-turn for 2023/24 and projected balance sheet values as at 31 March 2024.**
- 1.2 Appendix 1 provides the projected income and expenditure position for 2022/23. This shows an actual surplus of £11,820 for the year, which is higher than the surplus figure reported at the 31 January 2023 meeting, as a result of an underspend in the Grants and contributions budget.
- 1.3 Appendix 2 provides an actual balance sheet value as at 31 March 2023. It shows a projected decrease in reserves of £101,288.
- 1.4 Appendix 3a provides a breakdown of the property portfolio showing actual rental income and net return for 2022/23.
- 1.5 Appendix 3b provides a breakdown of the property portfolio showing actual property expenditure for 2022/23.
- 1.6 Appendix 4 provides a breakdown of the property portfolio showing actual property valuations at 31 March 2023.
- 1.7 Appendix 5 shows the value of the Aegon Asset Management Investment Fund to 31 March 2023.

2 RECOMMENDATIONS

- 2.1 I recommend that the Common Good Fund Sub-Committee:**
 - (a) Notes the actual income and expenditure for 2022/23 in Appendix 1;**
 - (b) Agrees the projected income and expenditure for 2023/24 in Appendix 1 as the revised budget for 2023/24;**
 - (c) Notes the final balance sheet value as at 31 March 2023 and projected balance sheet value as at 31 March 2024 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 2023 and projections to 31 March 2024. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2024.

4 FINANCIAL POSITION 2022/23

4.1 Appendix 1 provides details on income and expenditure for the 2022/23 financial year, which resulted in a surplus of £11,820, as well as projections 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 final outturn position shows an amount of £714 relating to interest receivable on cash held by SBC. This is higher than the projected figure due to the improvement in interest rates. Also included are dividends from the Common Good Funds investment in Aegon Asset Management amounting to £13,439, 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 £253 which, along with the £69 received in March 2022, has been re-invested to purchase an additional 331 units. Rebate income received in March 2023 of £63 has been accounted for within income, but the corresponding 65 units were not purchased until April 2023.

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 projected expenditure for 2023/24 is shown in Appendices 1 and 3b.
- (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 March 2023		
E Dalzian – Girl Guide Jamboree	22/03/2022	250
Kelso Over 60s Club	15/11/2022	400
Total Paid to 31 March 2023		650
Approved but not yet paid		0
Total Grants Approved not paid		0
Budget 2022/23		3,000
<i>(Unallocated)/Overallocated Budget</i>		<i>(2,350)</i>

4.6 Income & Expenditure – Central Support Service Charge

The proposed charge for 2023/24 is currently estimated using a 2% uplift on the 2022/23 charge. This is subject to revision once the 2023/24 pay award is confirmed and 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 £78,388, an increase of £16,909, due to upward revaluations on the properties owned by the Common Good. 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 2023 and a projected balance sheet as at 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. The fixed assets were revalued at 1 April 2019. Appendix 4 shows the actual values of the individual properties at 31 March 2023, actual depreciation charges for 2022/23 and projected values at 31 March 2024.

4.10 Balance Sheet – Investment Fund

The fund has a 11.69% 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 13.46% since investment in February 2018.

4.11 Balance Sheet – Cash Balance

The cash held by the fund is £49,206 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	11,820
Net Cash Movement in Debtors/Creditors	563
Rebate Investment in Aegon	(323)
Projected Closing Balance as at 31 March 2023	49,206

4.12 Balance Sheet – Capital Reserve

The movement in the Capital Reserves include the unrealised loss for the Aegon Asset Management Fund as at 31 March 2023, 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

Author(s)

Suzy Douglas	Acting Chief Financial Officer - Tel:01835 825881
--------------	---

Background Papers:

Previous Minute Reference: Kelso Common Good 31 January 2023

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.
Tel: 01835 824000 Fax: 01835 825166
Email: t&cteam@scotborders.gov.uk

**KELSO COMMON GOOD FUND
ACTUAL INCOME AND EXPENDITURE 2022/23**

APPENDIX 1

	Actuals at 31/03/23	Full Year Approved Budget 2022/23	Over/ (Under) Spend 2022/23	Full Year Approved Budget 2023/24	Full Year Projected Out-turn 2023/24	Full Year Projected Over/ (Under) Spend 2023/24	Para Ref	Comments
	£	£	£	£	£	£		
Property Income								
Rental Income	0	0	0	0	0		4.2	
Non-Property Related Income								
Interest on Cash deposited with Council	(714)	(150)	(564)	(150)	(150)		4.3	
Investment Fund – Dividends Rec'd	(13,439)	(12,265)	(1,174)	(12,975)	(12,975)		4.3	Est 5% return
Other Income	(253)	(270)	17	(270)	(270)		4.3	
Total Income	(14,406)	(12,685)	(1,721)	(12,395)	(12,395)			
Property Costs – General	0	0	0	0	0		4.4	
Grants & Other Donations	650	3,000	(2,350)	2,500	2,500		4.5	3 year average
Central Support Service Charge	1,936	1,936	0	2,015	2,015		4.6	Subject to review
Depreciation								
Depreciation Charge	78,388	61,479	16,909	61,479	78,388	16,909	4.7	
Contribution from Revaluation Reserve	(78,388)	(61,479)	(16,909)	(61,479)	(78,388)	(16,909)	4.7	
Net impact of Depreciation on Revenue Reserve	0	0	0	0	0	0		
Total Net (Surplus)/Deficit for year	(11,820)	(7,749)	(4,071)	(8,880)	(8,880)	0		

BALANCE SHEET VALUE AS AT 31 MARCH 2023

	Opening Balance at 01/04/22	Movement in Year	Closing Balance at 31/03/23	Projected Closing Balance at 31/03/24
	£	£	£	£
Fixed Assets				
Land & Buildings	988,500	(78,388)	910,112	831,724
Moveable Assets	19,080	0	19,080	19,080
Feu Duties	0	0	0	0
Total Fixed Assets	1,007,580	(78,388)	929,192	850,804
Capital in Investment Fund				
Investment Fund Book Value	280,564	323	280,887	281,210
Unrealised Gains/(Loss)	2,051	(34,720)	(32,669)	(32,669)
Market Value	282,615	(34,397)	248,218	248,541
Current Assets				
Debtors	1,341	(563)	778	778
Cash deposited with SBC	37,146	12,060	49,206	57,763
Total Current Assets	38,487	11,497	49,984	58,541
Current Liabilities	0			
Creditors	0	0	0	0
Receipts in Advance		0	0	0
Total Current Liabilities	0	0	0	0
Net Assets	1,328,682	(101,288)	1,227,394	1,157,886
Funded by:				
Reserves				
Revenue Reserve	(72,939)	(11,820)	(84,759)	(93,639)
Capital Reserve	(248,163)	34,720	(213,443)	(213,443)
Revaluation Reserve	(1,007,580)	78,388	(929,192)	(832,804)
Total Reserves	(1,328,682)	101,288	(1,227,394)	(1,157,886)

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

Rental Income – Land & Buildings	2022/23			2023/24	
	Approv'd Budget	Actuals as at 31/03/23	Actual Net (Return) /Loss	Approved Budget	Proposed Net (Return) /Loss
	£	£	£	£	£
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 2022/23
(Actual expenditure to 31 March 2023 and projected 2023/24)

Property Expenditure – Land & Buildings	2022/23				2023/24
	Approv'd Budget	Actual (Repair & Maint)	Actual (Other)	Actual Total	Approved 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

(Actual property valuation to 31 March 2023 and projected 31 March 2024)

Fixed Assets – Land & Buildings	Net Book Value at 01/04/22	Revised 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	11,000	(3,133)	7,867	(3,133)	4,734
Kelso Tait Hall	973,000	(75,255)	897,745	(75,255)	822,490
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	4,500	0	4,500	0	4,500
Total	988,500	(78,388)	910,112	(78,388)	831,724

Fixed Assets – Moveable Assets	Net Book Value at 31/03/23
	£
Silver Bowl & Salver	19,080
Total	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)	331	323
Total Invested to 31 March 2023	259,587	280,887

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
31 March 2023	248,218
Increase/(Decrease) from Total Cash Invested	(32,669)

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
to 31 March 2023	-11.69	+13.46