
Monitoring Report for 9 Months to 31 December 2015

Report by the Chief Financial Officer

Selkirk Common Good Sub Committee

17 February 2016

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Selkirk Common Good Fund for the 9 months to 31 December 2015 and full year projected out-turn for 2015/16 and projected balance sheet values to 31 March 2016.**
- 1.2 Appendix 1 provides a projected Income and Expenditure position. This shows a projected surplus of £15,131 for the year, a movement from the £3,669 deficit reported in December 2015 due to revised property cost projections as detailed in para 4.5 and Appendix 1.
- 1.3 Appendix 2 provides a projected Balance Sheet to 31 March 2016. It shows a projected decrease in the reserves of £61,227.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing actual Income and Expenditure to 31 December 2015.
- 1.5 Appendix 4 shows the value of the Newton Fund to 31 December 2015.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Common Good Sub Committee:**
 - (a) Agrees the projected Income and Expenditure for 2015/16 in Appendix 1 as the revised budget for 2015/16.**
 - (b) Notes the projected Balance Sheet value to 31 March 2016 in Appendix 2.**
 - (c) Notes the summary of the property portfolio in Appendix 3.**
 - (d) Notes the current position of the investment in the Newton Fund in Appendix 4.**

3 BACKGROUND

- 3.1 This report provides the Committee with financial information for the period to 31 December 2015 and projections to 31 March 2016. The report also contains a projected balance sheet for the Common Good Fund to 31 March 2016.

4 FINANCIAL POSITION 2015/16

- 4.1 Appendix 1 provides detail on income and expenditure for the 2015/16 financial year. The projected net position for the year is a surplus of £15,131, assuming full expenditure of the grants and donations budget of which £7,500 remains to be allocated.
- 4.2 **Income & Expenditure – Rental Income**
Rental income for 2015/16 is shown on Appendices 1 & 3, with Appendix 3 detailing the projected annual rental income by individual property. Rental income for Linglie Farm Shootings had previously been accounted for twice and has also remained unlet this winter, therefore the projected income for 2015/16 has been reduced by £400. Current actual rental income is greater than the budgeted projection due to the receipt of income relating to the 2016/17 financial year. A "pre-payment" journal will be processed at our financial year end to reflect income in the relevant year.
- 4.3 **Income & Expenditure – Non-Property Related Income**
The projected out-turn includes an estimate for the interest receivable on cash deposited with the Council. This, however, does not show as an actual income until the end of the financial year as amount is dependent on interest rates and the average cash revenue balance invested with the Council over the full financial year. The annual rate of interest applied to the cash deposits is expected to be around 0.4%, an amount of £304 has been budgeted for.
- 4.4 A contribution of £800 projected from W H Malcolm for site compound at Pringle Park is no longer expected as a different site was chosen, therefore reducing the projected income by £800. £50 has been received from the Angling Association.
- 4.5 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February. Dividends of £1,843 were received in September 2015 in line with the proposed budget of £3,400 for the year. The proposed budget for 2015/16 is based on a distribution of 2.5% which will be subject to the overall performance of the fund.
- 4.6 **Income & Expenditure – Property Expenditure**
The property expenditure to 31 December 2015 is detailed in Appendix 3 by property. The projected property costs have been reduced to £30,000 to reflect the actual expenditure to 31 December 2015 and revised projected costs to the 31 March 2016.
- 4.7 **Income & Expenditure – Grants & Other Donations**
The grants and other donations distributed to 31 December 2015 are shown below. There are currently £1,500 grants and other donations that have been approved but not yet paid.

Grant Recipients	Approved	£
Approved and Paid to 31 December 2015		
Ettrick Forest Archers – Secure Store/Shelter	01/09/15	3,000
Hill Warden Management Agreement	04/09/14	10,000
Total Paid to 31 December 2015		13,000
Approved but not yet paid		
Selkirk Xmas Illuminations Group – Power points	23/10/13	1,500
Total Grants Approved		14,500
Budget 2015/16		22,000
Unallocated Budget		7,500

4.8 **Income & Expenditure – Depreciation Charge**

The depreciation charge is projected to be £76,358 based on the revaluation of the properties at 1 April 2014. This is not a cash transaction and is off-set by a corresponding contribution from the Revaluation Reserve.

4.9 Appendix 2 provides the balance sheet value to 31 March 2015, the projected movement in year and a projected balance at 31 March 2016.

4.10 **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 2014. Appendix 3 shows the values of the individual properties at 31 March 2015, projected depreciation charges 2015/16 and projected value at 31 March 2016.

4.11 **Balance Sheet – Newton Investment**

- a) Investment markets continue to remain volatile. This is partly due to increasing uncertainties relating to the cooling Chinese economy and its sinking currency (significant losses on the Shanghai Stock Market resulted in it to be abandoned early twice in 4 days in early January). This volatility is also compounded by uncertainty on how the US economy will react to the 0.25% interest rate rise announced by the US Central Bank, the first rate rise for nearly a decade, with a pledge for further rate rises. There was a small but positive return in the Newton Fund of 1.3% for the quarter despite market volatility.
- b) Due to the volatility of the market conditions the projections do not include estimates for movements in the unrealised gains. Appendix 4 shows the performance of the Newton Fund since inception.

4.12 **Balance Sheet – Cash Balance**

The cash held by the fund is projected to be £105,222, an in year projected increase of £15,131. The projected cash movement for 2015/16 is as follows:

Cash Balance	£
Opening Balance at 1 April 2015	90,091
Projected Surplus for year from Income & Expenditure Statement	15,131
Projected Closing Balance at 31 March 2016	105,222

4.13 Balance Sheet – Capital Reserve

The projections for the Capital Reserves include the unrealised gain for the Newton Fund as at 31 March 2015 but due to the extremely volatile 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 Newton 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 Equalities

It is anticipated that there are no adverse equality implications arising from the proposals contained in this report.

5.4 Acting Sustainably

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 Carbon Management

There are no effects on carbon emissions 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 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 Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their appropriate comments have been incorporated into this report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference: Selkirk Common Good Committee 1 December 2015

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SELKIRK COMMON GOOD FUND

INCOME AND EXPENDITURE 2015/16

	Actuals at 31/12/15	Full Year Approved Budget 2015/16	Full Year Projected Out-turn	Full Year Projected Over/ (Under) Spend £	Para Ref	Commentary
	£	£	£	£		
Property Income						
Rentals Receivable	(96,941)	(68,777)	(68,377)	400	4.2	
Non-Property Related Income						
Interest on Cash deposited with Council	0	(304)	(304)	0	4.3	Calculated at 0.4%
Newton Fund Investment – Dividends Rec'd	(1,843)	(3,400)	(3,400)	0	4.5	Calculated at 2.5%
Other Income	(50)	(850)	(50)	800	4.4	
Total Income	(98,834)	(73,331)	(72,131)	1,200		
Property Expenditure						
Property Costs – General	10,698	50,000	30,000	(20,000)	4.6	
Total Property Expenditure	10,698	50,000	30,000	(20,000)		
Grants & Other Donations	13,000	22,000	22,000	0	4.7	£13,000 paid. £1,500 approved pending payment.
Running Costs						
Central Support Service Charge	10,000	10,000	10,000	0		
SBC Grant towards Service Charge	(5,000)	(5,000)	(5,000)	0		
Net Running Costs	5,000	5,000	5,000	0		
Depreciation						
Depreciation Charge	0	76,358	76,358	0		
Contribution from Revaluation Reserve	0	(76,358)	(76,358)	0		
Net impact of Depreciation on Revenue Reserve	0	0	0	0		
Total Net (Surplus)/Deficit for year	(70,137)	3,699	(15,131)	(18,800)		

SELKIRK COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AS AT 31 MARCH 2016

	Opening Balance at 01/04/15 £	Projected Movement in Year £	Projected Balances at 31/03/16 £
Fixed Assets			
Land & Buildings	3,311,642	(76,358)	3,235,284
Moveable Assets	1,500	0	1,500
Total Fixed Assets	3,313,142	(76,358)	3,236,784
Capital in Newton Investment Fund			
Investment in Newton Fund	130,000	0	130,000
Unrealised Gains/(Loss)	7,280	0	7,280
Market Value	137,280	0	137,280
Current Assets			
Debtors	5,715	0	5,715
Cash deposited with SBC	90,091	15,131	105,222
	95,806	15,131	110,937
Current Liabilities			
Creditors	(250)	0	(250)
Receipts in Advance	(10,453)	0	(10,453)
	(10,703)	0	(10,703)
Net Assets	3,535,524	(61,227)	3,454,297
Funded by: Reserves			
Revenue Reserve	(85,102)	(15,131)	(100,233)
Capital Reserve	(137,280)	0	(137,280)
Revaluation Reserve	(3,313,142)	76,358	(3,236,784)
Total Reserves	(3,535,524)	61,227	(3,474,297)

SELKIRK COMMON GOOD FUND

PROPERTY PORTFOLIO PERFORMANCE FOR 2015/16
(Actual Income and Expenditure to 31 December 2015)

Fixed Assets	Net Book Value at 31/03/15	Projected Depn Charge 2015/16	Projected Net Book Value at 31/03/16	Projected Rental Income 2015/16	Actual Property Expenditure at 31/12/15				
					Repairs	Rates, Water & Power	Ins	Other	Total
	£	£	£	£	£	£	£	£	£
The Green Hut	21,600	8,400	13,200	1,175	90	0	0	0	90
Town Hall Clock	0	0	0	0	0	0	0	0	0
Pant Well Monument	0	0	0	0	0	0	0	0	0
Victoria Hall Caretakers Flat	52,395	2,606	49,789	0	0	0	0	0	0
Victoria hall	798,000	39,000	759,000	0	840	0	0	0	840
Pringle Park	0	0	0	0	0	0	0	0	0
Victoria Park Pavilion site	2,000	0	2,000	200	0	0	0	0	0
Pringle Park Play Area	0	0	0	0	0	0	0	0	0
Selkirk Golf Course	78,500	0	78,500	0	0	0	0	0	0
South Common Farm	460,314	3,686	456,628	9,600	0	0	380	370	750
Smedheugh Farm	789,360	4,640	784,720	28,700	7,291	0	427	449	8,167
Selkirk Hill Grazings	35,000	0	35,000	410	0	0	0	0	0
Linglie Farm	626,333	3,667	622,666	7,300	0	0	402	201	603
Victoria Park & Caravan Site	0	0	0	0	0	0	0	0	0
26 Market Place	29,567	1,933	27,634	4,160	0	0	0	0	0
28 Market Place	39,860	2,640	37,220	5,600	0	0	0	0	0
Selkirk Town Hall	144,213	9,787	134,426	0	0	0	247	35	282
South Common Plantations	3,500	0	3,500	0	0	0	0	0	0
Smedheugh Farm Shootings	4,000	0	4,000	200	0	0	0	0	0
Smedheugh Plantations	9,500	0	9,500	0	0	0	0	0	0
Linglie Plantations	16,000	0	16,000	0	0	0	0	0	0
Linglie Farm Shootings	8,000	0	8,000	0	0	0	0	0	0
Linglie Mast Site	87,000	0	87,000	10,832	0	0	0	0	0
River Ettrick Salmon Fishing Right	700	0	700	0	0	0	0	0	0
Bog Park Recreation Area	0	0	0	0	0	0	0	0	0

Fixed Assets	Net Book Value at 31/03/15 £	Projected Depn Charge 2015/16 £	Projected Net Book Value at 31/03/16 £	Projected Rental Income 2015/16 £	Actual Property Expenditure at 31/12/15				
					Repairs	Rates, Water & Power	Ins	Other	Total
					£	£	£	£	£
Shawburn Amenity Ground	0	0	0	0	0	0	0	0	0
Shawburn Toll Embankment	0	0	0	0	0	0	0	0	0
Bog Park Playground	0	0	0	0	0	0	0	0	0
Victoria Park Play Area	0	0	0	0	0	0	0	0	0
Civic Amenity Site	70,800	0	70,800	0	0	0	0	0	0
Rosebank Quarry Former Tip Site	0	0	0	0	0	0	0	0	0
Rosebank Quarry Play Area	0	0	0	0	0	0	0	0	0
Shawpark Road Development Site	35,000	0	35,000	0	0	0	0	0	0
South Common Farm Shootings	0	0	0	200	0	0	0	0	0
Property Expenditure - General	-	-	-	0	0	0	-33	0	-33
Total	3,311,642	76,358	3,235,285	68,377	8,221	0	1,422	1,055	10,698

REPAIRS ANALYSIS

Property	Joinery (Common Riding)	Bathroom Repairs	Shed Repairs	Fountain Repairs	Clear Gutters				Total
The Green Hut	0	0	0	0	90	0	0	0	90
Victoria Hall	592	0	0	248	0	0	0	0	840
Smedheugh Farm	0	3,838	3,253	0	200	0	0	0	7,291
Total	592	3,838	3,253	248	290	0	0	0	8,221

SELKIRK COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	69,530	130,000
Total Invested to 31 December 2015	69,530	130,000

Value of Investment	£
31 March 2015	137,280
30 June 2015	133,379
30 September 2015	129,583
31 December 2015	131,342
31 March 2016	
Increase/(Decrease) from Total Cash Invested	1,342

The following chart shows the Newton Funds quarterly return performance against the Benchmark and against an equity performance index (MSCI AC World Index).

