
Monitoring Report for 9 Months to 31 December 2015

Report by the Chief Financial Officer

Hawick Common Good Sub Committee

16 February 2016

1 PURPOSE AND SUMMARY

- 1.1 This report provides the details of the income and expenditure for the Hawick 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 deficit of £37,719 for the year. An increase in the £37,442 deficit reported in November 2015 due to rental income movements as detailed in Section 4.2.
- 1.3 Appendix 2 provides a projected Balance Sheet to 31 March 2016. It shows a projected decrease in the reserves of £80,512 due to the projected reduction in revenue reserve and the revaluation reserve.
- 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 16. 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 deficit of £37,719, assuming full expenditure of the grants and donations budget of which £12,710 remains to be allocated.

4.2 Income & Expenditure – Rental Income

- a) Rental income for 2015/16 is shown on Appendices 1 & 3, with Appendix 3 detailing the projected annual rental income by individual property. 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.
- b) At the meeting of the Common Good Fund Committee on 17 November 2015 the Estates Officer reported that the winter Shooting Rights at Hawick Moor had been agreed. This will increase the proposed budget for 2015/16 by £100.
- c) Unfortunately the organisers of the Roger Albert Clark Rally due to have taken place on 29 November 2015 had to cancel the event due to lack of entries. The proposed fee of £1,000 had not been included in the projections at 30 September 2015.
- d) At a meeting of the Common Good Fund Committee on 18 June 2013 the Committee agreed that the Hawick Golf Club would be granted a rent free period of 3 years of £9,200 pa (2014/15, 2015/16 & 2016/17) with the next Invoice due for the period 1 October 2017 to 31 September 2018. In addition to this a reduction in rent for 2013/14 was agreed. Overall this totals £31,600 in lost revenue to the Common Good Fund. It is proposed that for clarity and transparency in accounting for this rent reduction that a notional grant is made from the Common Good Fund to the Golf Club for the same amount and the full rent is accounted for. This would have a nil financial effect on the Common Good Fund (see para 4.6).

The Estates Officer has suggested to the Golf Club that they attend a Common Good Committee meeting in May 2016 to discuss the Club's position going forward.

- e) An increase of £148 is projected in the Williestruther Cottage Rent due to the change of tenants and increase in annual rental, taking into account the time that the cottage was vacant.
- f) A reduction of £525 to the Hawick Moor Racecourse has been included to reflect a true accruals accounting practice.

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 £300 has been budgeted for.

4.4 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February. Dividends of £5,067 were received in September 2015 in line with the proposed budget of £8,979 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.

4.5 The projected out-turn includes £8,700 the balance of a contribution from the Community Council for work to complete the work at Williestruther, £25 donation for use of Bunting and £1,461 for Squirrel Control.

4.6 **Income & Expenditure – Property Expenditure**

a) The property expenditure to 31 December 2015 is detailed in Appendix 3 by property. The proposed Budget for 2015/16 includes £71,000 to complete silage pit work at Pilmuir, £8,700 for Williestruther Path, offset by balance of income received from Community Council in 2014/15.

b) The balance of the additional income from the Community Council for work on the Williestruther Path will be spent on a strimmer costing approximately £480.

c) The fund has paid the original £6,480 2015/16 Rates bill for the Common Haugh. A proportion of this will be credited back to the fund once the new Rates Bill for Geraud Markets has been produced but there will be also be a bill for work to remark the Car Park, both of which are yet to be quantified.

d) Additional legal costs of between £400 to £1,000 may be payable for establishing the ownership of the land on which the Hornshole Memorial sits.

e) The work at Pilmuir Silage pit may not be completed this financial year due to delay in Building Regulations and SEPA approvals. The project is going out to tender mid-January 2016 to establish costs and timescales and until this has been quantified the budget has not been amended at this round of monitoring.

f) The uncertainty over the timing of various planned expenditures may result in a change to the surplus/deficit position at the year end.

4.7 **Income & Expenditure – Grants & Other Donations**

The grants and other donations distributed to 31 December 2015 are shown below. A late application from Hawick Reivers Association was approved at the Hawick Common Good Sub Committee on 17 November 2015.

Grant Recipients	Approved	£
Approved and Paid to 31 December 2015		
Hawick Honorary Provost Running Costs	26/05/15	2,000
History of Hawick & District during WW1	18/08/15	600
Burnfoot CC-Remembrance Grdn Wilton Cemetery	18/08/15	2,000
Burnfoot CC-Remembrance Grdn Wilton Cemetery	18/08/15	190
Hawick Reivers Association – Running Costs	17/15/15	2,500
Total Paid to 31 December 2015		7,290
Approved but not yet paid		
-		0
Total Grants Approved		7,290
Grants Pending Approval		
Hawick Golf Club Rent Contribution		9,200
2015/16 Budget (as increased by HGC Contr)		29,200
Unallocated Budget		12,710

4.8 **Income & Expenditure – Depreciation Charge**

The depreciation charge is projected to be £42,792 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 £96,685, an in year projected decrease of £37,719. The projected cash movement for 2015/16 is as follows:

Cash Balance	£
Opening Balance at 1 April 2015	134,404
Transfer to Newton Fund	0
Projected Deficit for year from Income & Expenditure Statement	(37,719)
Net cash movement in Debtors/Creditors	0
Projected Closing Balance at 31 March 2016	96,685

4.13 **Balance Sheet – Capital Reserve**

The projections for the Capital Reserves include the unrealised gain for the Newton Fund as at 31 March 2016 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: Hawick Common Good Committee 17 November 2015

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HAWICK 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	(105,771)	(95,438)	(104,361)	(8,923)	4.2	Pilmuir, HCG, Williestruther
Non-Property Related Income						
Interest on Cash deposited with Council	0	(300)	(300)	0	4.3	Calculated at 0.4%
Newton Fund Investment – Dividends Rec'd	(5,067)	(8,979)	(8,979)	0	4.4	Calculated at 2.5%
Other Income	(10,186)	(10,186)	(10,186)	0	4.5	
Total Income	(121,024)	(114,903)	(123,826)	(8,923)		
Property Expenditure						
Property Costs – General	47,039	49,423	49,423	0	4.6	Williestruther Path & Common
Property Costs – Pilmuir	17,481	72,225	72,225	0	4.6	Haugh Rates
Property Costs – St Leonards	3,797	5,532	5,532	0	4.6	Pilmuir Silage Pit
Total Property Expenditure	68,316	127,180	127,180	0		
Grants & Other Donations	7,290	20,000	29,200	9,200	4.7	Hawick Golf Club
Running Costs						
Central Support Service Charge	10,841	10,841	10,841	0		
SBC Grant towards Service Charge	(5,676)	(5,676)	(5,676)	0		
Net Running Costs	5,165	5,165	5,165	0		
Depreciation						
Depreciation Charge	0	42,792	42,792	0		
Contribution from Revaluation Reserve	0	(42,792)	(42,792)	0		
Net impact of Depreciation on Rev Res	0	0	0	0		
Total Net (Surplus)/Deficit for year	(40,253)	37,442	37,719	(277)		

HAWICK COMMON GOOD FUND

PROJECTED BALANCE SHEET VALUE AT 31 MARCH 2016

	Opening Balance at 01/04/15 £	Projected Movement in Year £	Projected Balances at 31/03/16 £
Fixed Assets			
Land & Buildings	3,674,859	(42,792)	3,632,066
Heritable Assets	3,000	0	3,000
Feu Duties	18	0	18
Total Fixed Assets	3,677,877	(42,792)	3,635,084
Capital in Newton Investment Fund			
Investment in Newton Fund	359,171	0	359,171
Unrealised Gains/(Loss)	18,320	0	18,320
Market Value	377,491	0	377,491
Current Assets			
Debtors	6,812	0	6,812
Cash deposited with SBC	134,404	(37,719)	96,685
Total Current Assets	141,216	(37,719)	103,497
Current Liabilities			
Creditors	(21,472)	0	(21,472)
Receipts in Advance	(19,197)	0	(19,197)
Total Current Liabilities	(40,668)	0	(40,669)
Net Assets	4,155,916	(80,512)	4,075,405
Funded by:			
Reserves			
Revenue Reserve	(100,547)	37,719	(62,828)
Capital Reserve	(513,326)	0	(513,326)
Revaluation Reserve	(3,542,043)	42,792	(3,499,250)
Total Reserves	(4,155,916)	80,512	(4,075,405)

HAWICK 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
	£	£	£	£	£	£	£	£	£
General									
Moat Park	0	0	0	0	0	0	0	0	0
Moat Park Playground	0	0	0	0	0	0	0	0	0
Hawick Golf Course	73,000	0	73,000	9,200	0	0	0	0	0
Acreknowe Reservoir (Part)	0	0	0	0	206	0	0	0	206
Williestruther Loch	4,500	0	4,500	375	12,167	0	0	785	12,952
Williestruther Cottage	175,371	4,629	170,742	5,700	1,078	0	60	0	1,138
Lothian Street Store	17,537	463	17,074	2,550	0	0	83	0	83
Common Haugh Car Park	82,000	0	82,000	7,741	1,313	6,550	0	90	7,952
Underhaugh	0	0	0	0	0	0	0	0	0
Hawick Moor Racecourse & Bldgs	33,760	1,240	32,520	175	5,815	0	1,477	125	7,417
Hawick Moor Shootings	4,000	0	4,000	300	0	0	0	0	0
Woodend Grazings (West)	1,500	0	1,500	75	0	0	0	0	0
Millpath Stables	21,940	560	21,380	0	45	0	2	0	47
Ca'Knowe Monument	0	0	0	0	0	0	0	0	0
Volunteer Park & Stand	325,067	14,933	310,134	1,750	1,026	0	152	356	1,534
Hawick Burgh Woodlands	99,000	0	99,000	0	0	0	0	0	0
Woodend Grazings (East)	1,000	0	1,000	80	0	0	0	0	0
Hawick Golf Club Sub Stn Site	750	0	750	75	0	0	0	0	0
Common Riding	0	0	0	0	1,524	0	0	0	1,524
Haggis Ha/Burnflat Wall	0	0	0	0	1,005	0	0	0	1,005
Williestruther Path	0	0	0	0	7,951	0	0	0	7,951
100 Stairs and Adjacent Land	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	889	1,580	-39	2,239	5,229
General Sub Total	839,425	21,825	817,600	28,021	33,019	8,130	1,735	4,155	47,039

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 £
Pilmuir									
Pilmuir Farm	1,796,251	3,749	1,792,502	45,000	10,308	0	1,225	0	11,533
Pilmuir Farm Cottage	156,400	3,600	152,800	7,200	2,584	0	0	0	2,584
Pilmuir Farm Shed & Silage Pit	0	0	0	0	3,050	0	0	0	3,050
Property Expenditure (General)	-	-	-	-	0	0	0	314	314
Pilmuir Sub Total	1,952,651	7,349	1,945,302	52,200	15,942	0	1,225	314	17,481
St Leonards									
St Leonards Farmhouse Buildings	251,111	4,889	246,222	9,600	315	0	454	0	769
St Leonards Cottage & Park	209,471	5,529	203,942	5,400	742	0	78	0	820
St Leonards Hut	3,200	3,200	0	0	1,381	0	31	0	1,412
St Leonards Grazings (Lot 1)	135,000	0	135,000	1,349	0	0	0	0	0
St Leonards Horse Gallop	17,000	0	17,000	600	0	0	0	0	0
St Leonards Grazings (Lot 2)	267,000	0	267,000	7,191	0	0	0	0	0
Property Expenditure (General)	-	-	-	-	482	0	0	314	796
St Leonards Sub Total	882,782	13,618	869,164	24,140	2,919	0	563	314	3,797
Total	3,674,858	42,792	3,632,066	104,361	51,880	8,130	3,524	4,783	68,316

HAWICK COMMON GOOD FUND

INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	102,901	192,394
17 January 2014	30,010	56,884
24 January 2014	29,680	56,036
3 February 2014	28,602	53,857
Total Invested to 31 December 2015	191,193	359,171

Value of Investment	£
31 March 2015	377,491
30 June 2015	366,766
30 September 2015	356,326
31 December 2015	361,164
31 March 2016	
Increase/(Decrease) from Total Cash Invested	1,993

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

