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## **Monitoring Report for 9 Months to 31 December 2015**

**Report by the Chief Financial Officer**

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### **Galashiels Common Good Sub Committee**

**18 February 2016**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides the details of the income and expenditure for the Galashiels 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 £100 for the year.
- 1.3 Appendix 2 provides a projected Balance Sheet to 31 March 2016. It shows a projected decrease in the Revaluation reserves of £11,638 due to the depreciation adjustment and also a movement between the Capital and Revenue reserves relating to the recent £5,000 Newton Investment.
- 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.**
  - (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 £100.

#### 4.2 **Income & Expenditure – Rental Income**

There is no rental income for the properties owned by the Common Good.

#### 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 £70 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 £283 were received in September 2015 in line with the proposed budget of £530 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 a projected donation of £3,100 from Ladhope Estate.

#### 4.6 **Income & Expenditure – Property Expenditure**

There are no Property Expenses on the Galashiels Common Good properties.

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

The grants and other donations distributed and committed to 31 December 2015 are shown below. There are currently no grants and other donations that have been approved but not yet paid.

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
<b>Approved and Paid to 31 December 2015</b>		
Energise Galashiels Grant	09/06/15	1,000
<b>Total Paid to 31 December 2015</b>		<b>1,000</b>
<b>Approved but not yet paid</b>		
-		0
<b>Total Grants Approved</b>		<b>1,000</b>
<b>Budget 2015/16</b>		<b>3,000</b>
<b>Unallocated Budget</b>		<b>2,000</b>

#### 4.8 **Income & Expenditure – Depreciation Charge**

The depreciation charge is projected to be £11,738 based on the valuation of the properties at 1 April 2014. This will change once the revaluation has been completed. 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 timing of the approval of transfer of the assets to the Galashiels Common Good Fund meant that these were not revalued as part of the rolling revaluation program for Common Good Funds. These will be revalued in 2015/16. 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 prior to the revaluation.

#### 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.
- c) A further investment of between £5,000 and £7,000 from the cash balance was approved at the Galashiels Common Good Sub Committee Meeting on 17 November 2015 and £5,000 was subsequently transferred to the Newton Fund on 7 December 2016 as shown in the Cash balance table in the following paragraph

#### 4.12 **Balance Sheet – Cash Balance**

The cash held by the fund is projected to be £4,870, an in year projected decrease of £4,900 as shown in the projected cash movement for 2015/16 as follows:

<b>Cash Balance</b>	<b>£</b>
Opening Balance at 1 April 2015	9,770
Investment in Newton Fund	(5,000)
Projected Surplus for year from Income & Expenditure Statement	100
Net cash movement in Debtors/Creditors	0
<b>Projected Closing Balance at 31 March 2016</b>	<b>4,870</b>

#### 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 are currently being consulted and their comments will be made available at the meeting.

**Approved by**

**David Robertson**  
**Chief Financial Officer**

**Signature .....**

**Author(s)**

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**Background Papers:**

**Previous Minute Reference:** Galashiels Common Good Committee 5 November 2015

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## GALASHIELS 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
	£	£	£	£		
<b>Property Income</b>						
Rentals Receivable	0	0	0	0		
<b>Non-Property Related Income</b>						
Interest on Cash deposited with Council	0	(70)	(70)	0	4.3	Calculated at 0.4%
Newton Fund Investment – Dividends Rec'd	(283)	(530)	(530)	0	4.4	Calculated at 2.5%
Other Income	0	(3,100)	(3,100)	0	4.5	
<b>Total Income</b>	<b>(283)</b>	<b>(3,700)</b>	<b>(3,700)</b>	<b>0</b>		
<b>Property Expenditure</b>						
Property Costs – General	0	0	0	0		
<b>Total Property Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Grants &amp; Other Donations</b>	<b>1,000</b>	<b>3,000</b>	<b>3,000</b>	<b>0</b>		£2,000 unallocated
<b>Running Costs</b>						
Central Support Service Charge	1,922	1,922	1,922	0		
SBC Grant towards Service Charge	(1,322)	(1,322)	(1,322)	0		
<b>Net Running Costs</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>0</b>		
<b>Depreciation</b>						
Depreciation Charge	0	11,738	11,738	0		
Contribution from Revaluation Reserve	0	(11,738)	(11,738)	0		
<b>Net impact of Depreciation on Revenue Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Total Net (Surplus)/Deficit for year</b>	<b>1,317</b>	<b>(100)</b>	<b>(100)</b>	<b>0</b>		

## GALASHIELS 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 £
<b>Fixed Assets</b>			
Land & Buildings	312,722	(11,738)	300,984
Heritable Assets	0	0	0
<b>Total Fixed Assets</b>	<b>312,722</b>	<b>(11,738)</b>	<b>300,984</b>
<b>Capital in Newton Investment Fund</b>			
Investment in Newton Fund	20,476	5,000	25,476
Unrealised Gains/(Loss)	569	0	569
<b>Market Value</b>	<b>21,045</b>	<b>5,000</b>	<b>26,045</b>
<b>Current Assets</b>			
Debtors	0	0	0
Cash deposited with SBC	9,770	(4,900)	4,870
	<b>9,770</b>	<b>(4,900)</b>	<b>4,870</b>
<b>Current Liabilities</b>			
Creditors	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>343,537</b>	<b>(11,638)</b>	<b>331,899</b>
<b>Funded by:</b>			
<b>Reserves</b>			
Revenue Reserve	(9,770)	4,900	(9,870)
Capital Reserve	(21,045)	(5,000)	(26,045)
Revaluation Reserve	(312,722)	11,738	(300,984)
<b>Total Reserves</b>	<b>(343,537)</b>	<b>11,638</b>	<b>(331,899)</b>

## GALASHIELS COMMON GOOD FUND

**PROPERTY PORTFOLIO PERFORMANCE FOR 2014/15**  
**(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
	£	£	£	£	£	£	£	£	£
Bank Street Gardens	0	0	0	0	0	0	0	0	0
Ladhope Drive Car Park	0	0	0	0	0	0	0	0	0
Ladhope Golf Course	74,250	0	74,250	0	0	0	0	0	0
Ladhope Woodland	8,800	0	8,800	0	0	0	0	0	0
Ladhope Glen Park	0	0	0	0	0	0	0	0	0
Ladhope Recreation Groud	0	0	0	0	0	0	0	0	0
Old Gala House	219,603	11,738	207,865	0	0	0	0	0	0
Mercat Cross	0	0	0	0	0	0	0	0	0
Sir Walter Scott Statue	0	0	0	0	0	0	0	0	0
Old Town Cemetery	0	0	0	0	0	0	0	0	0
Amenity Ground at Haliburton Pl	10,069	0	10,069	0	0	0	0	0	0
Leabrae Playground	0	0	0	0	0	0	0	0	0
Sml area of Netherdale Play Field	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	-	-	-	0	0	0	0	0	0
<b>Total</b>	<b>312,722</b>	<b>11,738</b>	<b>300,984</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## GALASHIELS COMMON GOOD FUND

## INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
5 September 2014	10,411	20,000
Contribution from SBC compensation for late investment	248	476
7 December 2015	2,636	5,000
<b>Total Invested to 31 December 2015</b>	<b>13,295</b>	<b>25,476</b>

Value of Investment	£
31 March 2015	21,045
30 June 2015	20,447
30 September 2015	19,865
31 December 2015	25,114
31 March 2016	
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>(362)</b>

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

