
MONITORING REPORT FOR 6 MONTHS TO 30 SEPTEMBER 2023

Report by Director of Finance & Procurement

KELSO COMMON GOOD FUND SUB-COMMITTEE

14 November 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 six months to 30 September 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 2023/24. This shows a projected surplus of £8,280 for the year.
- 1.3 Appendix 2 provides a projected balance sheet value as at 31 March 2024. It shows a projected decrease in reserves of £70,108.
- 1.4 Appendix 3a provides a breakdown of the property portfolio showing projected rental income and projected net return for 2023/24 and actual property income to 30 September 2023.
- 1.5 Appendix 3b provides a breakdown of the property portfolio showing projected property expenditure for 2023/24 and actual property expenditure to 30 September 2023.
- 1.6 Appendix 4 provides a breakdown of the property portfolio showing projected property valuations at 31 March 2024.
- 1.7 Appendix 5 shows the value of the Aegon Asset Management Investment Fund to 30 September 2023.

2 RECOMMENDATIONS

- 2.1 I recommend that the Common Good Fund Sub-Committee:**
 - (a) Notes the actual income and expenditure for 2023/24 in Appendix 1;**
 - (b) Notes the projected balance sheet value as at 31 March 2024 in Appendix 2;**
 - (c) Notes the summary of the property portfolio in Appendices 3 and 4; and**
 - (d) 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 30 September 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 2023/24

4.1 Appendix 1 provides details on income and expenditure for the 2023/24 financial year. The projected net position for the year is a surplus of £8,280.

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 out-turn 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 £12,975, with the projection for 2023/24 remaining at the 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 £62, which has been re-invested to purchase an additional 66 units.

4.4 Income & Expenditure – Property Expenditure

(a) The property expenditure for 2023/24 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) 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 2024 are shown below:

Grant Recipients	Approved	£
Approved and paid to 30 September 2023		0
Total Paid to 31 March 2024		0
Approved but not yet paid		0
Total Grants Approved not paid		0
Budget 2023/24		2,500
<i>(Unallocated)/Overallocated Budget</i>		<i>(2,500)</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 projected depreciation charge for the year is £78,388. 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 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, projected depreciation charges for 2023/24 and projected values at 31 March 2024.

4.10 Balance Sheet – Investment Fund

The fund has a 13.16% 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 15.88% since investment in February 2018.

4.11 Balance Sheet – Cash Balance

The cash held by the fund is projected to be £57,163 at 31 March 2024 and is detailed below:

Cash Balance	£
Opening Balance at 1 April 2023	49,206
Projected Surplus for year from Income & Expenditure Statement	8,280
Net Cash Movement in Debtors/Creditors	0
Rebate Investment in Aegon	(323)
Projected Closing Balance as at 31 March 2024	57,163

4.12 Balance Sheet – Capital Reserve

The movement in the Capital Reserves includes 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
Director of Finance & Procurement

Author(s)

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Background Papers:

Previous Minute Reference: Kelso Common Good 12 September 2023

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

APPENDIX 1

	Actuals at 30/09/23	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		4.2	
Non-Property Related Income						
Interest on Cash deposited with Council	(0)	(150)	(150)		4.3	Est 5% return
Investment Fund – Dividends Rec'd	(7,166)	(12,975)	(12,975)		4.3	
Other Income	(62)	(270)	(270)		4.3	
Total Income	(7,228)	(13,395)	(13,395)			
Property Costs – General	600	600	600		4.4	
Grants & Other Donations	0	2,500	2,500		4.5	3 year average
Central Support Service Charge	0	2,015	2,015		4.6	Subject to review
Depreciation						
Depreciation Charge	0	78,388	78,388		4.7	
Contribution from Revaluation Reserve	0	(78,388)	(78,388)		4.7	
Net impact of Depreciation on Revenue Reserve	0	0	0			
Total Net (Surplus)/Deficit for year	(6,628)	(8,280)	(8,280)			

PROJECTED BALANCE SHEET VALUE AS AT 31 MARCH 2024

	Opening Balance at 01/04/23 £	Projected Movement in Year £	Projected Closing Balance at 31/03/24 £
Fixed Assets			
Land & Buildings	910,112	(78,388)	831,724
Moveable Assets	19,080	0	19,080
Feu Duties	0	0	0
Total Fixed Assets	929,192	(78,388)	850,804
Capital in Investment Fund			
Investment Fund Book Value	280,887	323	281,210
Unrealised Gains/(Loss)	(32,669)	0	(32,669)
Market Value	248,218	323	248,541
Current Assets			
Debtors	778	0	778
Cash deposited with SBC	49,206	7,957	57,163
Total Current Assets	49,984	7,957	57,941
Current Liabilities			
Creditors	0	0	0
Receipts in Advance	0	0	0
Total Current Liabilities	0	0	0
Net Assets	1,227,394	(70,108)	1,157,286
Funded by:			
Reserves			
Revenue Reserve	(84,759)	(8,280)	(93,039)
Capital Reserve	(213,443)	0	(213,443)
Revaluation Reserve	(929,192)	78,388	(850,804)
Total Reserves	(1,227,394)	70,108	(1,157,286)

**PROPERTY PORTFOLIO PERFORMANCE FOR 2023/24
(Actual income to 30 September 2023 and projections to 31 March 2024)**

Rental Income – Land & Buildings	2023/24		2023/24
	Approv'd Budget £	Actuals as at 30/09/23 £	Proposed Net (Return) /Loss £
Croft Park Toilet	0	0	0
Kelso Tait Hall	0	0	0
Kelso War Memorial	0	0	0
Croft Park	0	0	0
Croft Park Play Area	0	0	0
Pinnaclehill Woodlands	0	0	600
Total	0	0	600

PROPERTY PORTFOLIO PERFORMANCE FOR 2023/24

(Actual expenditure to 30 September 2023 and projections to 31 March 2024)

Property Expenditure – Land & Buildings	2023/24				
	Approv'd Budget	Projected Budget	Actual (Repair & Maint)	Actual (Other)	Actual Total
	£	£	£	£	£
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	600	0	600	0	600
Total	600	0	600	0	600

**PROPERTY PORTFOLIO VALUATION FOR 2023/24
(Projected property valuation to 31 March 2024)**

Fixed Assets – Land & Buildings	Net Book Value at 01/04/23 £	Project'd Depn Charge 2023/24 £	Project'd Net Book Value at 31/03/24 £
Croft Park Toilet	7,867	(3,133)	4,734
Kelso Tait Hall	897,745	(75,255)	822,490
Kelso War Memorial	0	0	0
Croft Park	0	0	0
Croft Park Play Area	0	0	0
Pinnaclehill Woodlands	4,500	0	4,500
Total	910,112	(78,388)	831,724

Fixed Assets – Moveable Assets	Projected Net Book Value at 31/03/24 £
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
Aegon Fund Rebate – (2023-2024)	66	62
Total Invested to 30 September 2023	259,653	280,949

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
30 June 2023	249,282
30 September 2023	244,126
Increase/(Decrease) from Total Cash Invested	(36,823)

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
to 30 June 2023	-11.30	+16.45
to 30 September 2023	-13.16	+15.88