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## **MONITORING REPORT FOR 9 MONTHS TO 31 DECEMBER 2023 AND PROPOSED BUDGET FOR FINANCIAL YEAR 2024/25**

**Report by Director of Finance & Procurement**

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### **KELSO COMMON GOOD FUND SUB-COMMITTEE**

**30 January 2024**

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

- 1.1 This report provides the details of the income and expenditure for the Kelso Common Good Fund for the nine months to 31 December 2023, a full year projected out-turn for 2023/24, projected balance sheet values as at 31 March 2024 and proposed budget for 2024/25.**
- 1.2 Appendix 1 provides the projected income and expenditure position for 2023/24. This shows a projected surplus of £8,203 for the year, which is less than the previously reported surplus on 14 November 2023, as a result of an increase to the Central Support Charge.
- 1.3 Appendix 2 provides a projected balance sheet value as at 31 March 2024. It shows a projected decrease in reserves of £70,185.
- 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 31 December 2023.
- 1.5 Appendix 3b provides a breakdown of the property portfolio showing projected property expenditure for 2023/24 and actual property expenditure to 31 December 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 31 December 2023.

#### **2 RECOMMENDATIONS**

**2.1 I recommend that the Common Good Fund Sub-Committee:**

**(a) Agrees the projected income and expenditure for 2023/24 in Appendix 1 as the revised budget for 2023/24;**

**(b) Agrees the proposed budget for 2024/25 as shown in Appendix 1:**

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- (c) **Notes the 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**

This report provides the Committee with financial information for the period to 31 December 2023, projections to 31 March 2024 and proposed budgets for 2024/25. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2024 and 31 March 2025.

### **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 £8,203. Also included is the proposed budget for 2024/25.

#### **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 £124, which has been re-invested to purchase an additional 133 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) The total proposed budget for 2024/25 is shown in Appendix 1.
- (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 2024 are shown below:

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
<b>Approved and paid to 31 December 2023</b>		
Kelso Over 60's Club	14/11/23	400
<b>Total Paid to 31 March 2024</b>		<b>400</b>
<b>Approved but not yet paid</b>		
Cheviot Youth – Kelso Hub	14/11/23	1,800
Pinnaclehill Park Orchard Association	14/11/23	3,151
<b>Total Grants Approved not paid</b>		<b>4,951</b>
<b>Budget 2023/24</b>		<b>2,500</b>
<b><i>(Unallocated)/Overallocated Budget</i></b>		<b><i>2,851</i></b>

The budget for 2024/25 is proposed at £1,750, which is the average of the previous 3 years grant expenditure.

#### 4.6 Income & Expenditure – Central Support Service Charge

The proposed charge for 2023/24 was estimated using a 2% uplift on the 2022/23 charge however, after confirmation of the 8.04% agreed pay award for 2023/24, an additional 6.04% has been added. The proposed charge for 2024/25 is currently estimated using a 2% uplift on the 2023/24 charge. A full Service Charge Review is due to be carried out in 2023/24.

#### 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, the projected movement in year and projected balance sheet as at 31 March 2024; along with projected balance to 31 March 2025.

#### 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; along with projected value as at 31 March 2025.

#### 4.10 Balance Sheet – Investment Fund

The fund has an 8.34% unrealised loss in capital market value since investment, an improvement on last quarter following the continuing improvement of markets and taking account of the income received the fund has achieved a total return of 24.15% since investment in February 2018. The investment objective of the Fund is to generate income of 5% per annum with the potential for capital growth in the medium term. This is reflected in the asset allocation of the Fund with over 50% of the Fund being Bonds whose credit returns have improved following the markets anticipation of rate cuts.

#### 4.11 Balance Sheet – Cash Balance

The cash held by the fund is projected to be £57,086 at 31 March 2024 and is detailed below:

<b>Cash Balance</b>	<b>£</b>
<b>Opening Balance at 1 April 2023</b>	<b>49,206</b>
Projected Surplus for year from Income & Expenditure Statement	8,203
Net Cash Movement in Debtors/Creditors	0
Rebate Investment in Aegon	(323)
<b>Projected Closing Balance as at 31 March 2024</b>	<b>57,086</b>

#### 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)**

Kirsten Robertson	Statutory Reporting & Treasury Business Partner – Tel 01835 825506
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### Background Papers:

**Previous Minute Reference:** Kelso Common Good 14 November 2023

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Contact us at Pension & Investments, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA.

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**KELSO COMMON GOOD FUND  
PROJECTED INCOME AND EXPENDITURE 2023/24 AND 2024/25**

**APPENDIX 1**

	Actuals at 31/12/23	Full Year Approved Budget 2023/24	Full Year Projected Out-turn 2023/24	Full Year Projected Over/ (Under) Spend 2023/24	Full Year Proposed Budget 2024/25	Para Ref	Comments
	£	£	£	£	£		
<b>Property Income</b>							
Rental Income	0	0	0		0	4.2	
<b>Non-Property Related Income</b>							
Interest on Cash deposited with Council	(0)	(150)	(150)		(150)	4.3	Est 5% return
Investment Fund – Dividends Rec'd	(11,143)	(12,975)	(12,975)		(12,990)	4.3	
Other Income	(124)	(270)	(270)		(270)	4.3	
<b>Total Income</b>	<b>(11,267)</b>	<b>(13,395)</b>	<b>(13,395)</b>		<b>(13,410)</b>		
<b>Property Costs – General</b>	<b>600</b>	<b>600</b>	<b>600</b>		<b>0</b>	4.4	
<b>Grants &amp; Other Donations</b>	<b>400</b>	<b>2,500</b>	<b>2,500</b>		<b>1,750</b>	4.5	3 year average
<b>Central Support Service Charge</b>	<b>2,092</b>	<b>2,015</b>	<b>2,092</b>	<b>77</b>	<b>2,134</b>	4.6	Subject to review
<b>Depreciation</b>							
Depreciation Charge	0	78,388	78,388		78,388	4.7	
Contribution from Revaluation Reserve	0	(78,388)	(78,388)		(78,388)	4.7	
<b>Net impact of Depreciation on Revenue Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Total Net (Surplus)/Deficit for year</b>	<b>(8,175)</b>	<b>(8,280)</b>	<b>(8,203)</b>	<b>77</b>	<b>(9,577)</b>		

## PROJECTED BALANCE SHEET VALUE AS AT 31 MARCH 2024 AND 31 MARCH 2025

	Opening Balance at 01/04/23  £	Projected Movement in Year  £	Projected Closing Balance at 31/03/24  £	Projected Closing Balance at 2024/25  £
<b>Fixed Assets</b>				
Land & Buildings	910,112	(78,388)	831,724	753,336
Moveable Assets	19,080	0	19,080	19,080
Feu Duties	0	0	0	0
<b>Total Fixed Assets</b>	<b>929,192</b>	<b>(78,388)</b>	<b>850,804</b>	<b>772,416</b>
<b>Capital in Investment Fund</b>				
Investment Fund Book Value	280,887	323	281,210	281,533
Unrealised Gains/(Loss)	(32,669)	0	(32,669)	(32,669)
<b>Market Value</b>	<b>248,218</b>	<b>323</b>	<b>248,541</b>	<b>248,864</b>
<b>Current Assets</b>				
Debtors	778	0	778	778
Cash deposited with SBC	49,206	7,880	57,086	66,289
<b>Total Current Assets</b>	<b>49,984</b>	<b>7,880</b>	<b>57,864</b>	<b>67,067</b>
<b>Current Liabilities</b>				
Creditors	0	0	0	0
Receipts in Advance	0	0	0	0
<b>Total Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>1,227,394</b>	<b>(70,185)</b>	<b>1,157,209</b>	<b>1,088,347</b>
<b>Funded by:</b>				
<b>Reserves</b>				
Revenue Reserve	(84,759)	(8,203)	(92,962)	(102,488)
Capital Reserve	(213,443)	0	(213,443)	(213,443)
Revaluation Reserve	(929,192)	78,388	(850,804)	(772,416)
<b>Total Reserves</b>	<b>(1,227,394)</b>	<b>70,185</b>	<b>(1,157,209)</b>	<b>(1,088,347)</b>

**PROPERTY PORTFOLIO PERFORMANCE FOR 2023/24  
(Actual income to 31 December 2023 and projected 2024/25)**

Rental Income – Land & Buildings	2023/24			2024/25	
	Approv'd Budget  £	Actuals as at 31/12/23 £	Projected Net (Return) /Loss £	Proposed 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	600	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>600</b>	<b>0</b>	<b>0</b>



**PROPERTY PORTFOLIO PERFORMANCE FOR 2023/24**  
**(Actual expenditure to 31 December 2023 and projected 2024/25)**

Property Expenditure – Land & Buildings	2023/24					2024/25
	Approv'd Budget	Projected Budget	Actual (Repair & Maint)	Actual (Other)	Actual Total	Proposed Budget
	£	£	£	£	£	£
Croft Park Toilet	0	0	0	0	0	0
Kelso Tait Hall	0	0	0	0	0	0
Kelso War Memorial	0	0	0	0	0	0
Croft Park	0	0	0	0	0	0
Croft Park Play Area	0	0	0	0	0	0
Pinnaclehill Woodlands	600	0	600	0	600	0
<b>Total</b>	<b>600</b>	<b>0</b>	<b>600</b>	<b>0</b>	<b>600</b>	<b>0</b>

**PROPERTY PORTFOLIO VALUATION FOR 2023/24**

**(Projected property valuation to 31 March 2024 and 31 March 2025)**

<b>Fixed Assets – Land &amp; Buildings</b>	<b>Net Book Value at 01/04/23</b>	<b>Project'd Depn Charge 2023/24</b>	<b>Project'd Net Book Value at 31/03/24</b>	<b>Project'd Depn Charge 2024/25</b>	<b>Project'd Net Book Value at 31/03/25</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Croft Park Toilet	<b>7,867</b>	(3,133)	<b>4,734</b>	(3,133)	<b>1,601</b>
Kelso Tait Hall	<b>897,745</b>	(75,255)	<b>822,490</b>	(75,255)	<b>747,235</b>
Kelso War Memorial	<b>0</b>	0	<b>0</b>	0	<b>0</b>
Croft Park	<b>0</b>	0	<b>0</b>	0	<b>0</b>
Croft Park Play Area	<b>0</b>	0	<b>0</b>	0	<b>0</b>
Pinnaclehill Woodlands	<b>4,500</b>	0	<b>4,500</b>	0	<b>4,500</b>
<b>Total</b>	<b>910,112</b>	<b>(78,388)</b>	<b>831,724</b>	<b>(78,388)</b>	<b>753,336</b>

<b>Fixed Assets – Moveable Assets</b>	<b>Projected Net Book Value at 31/03/24</b>
	<b>£</b>
Silver Bowl & Salver	19,080
<b>Total</b>	<b>19,080</b>

**INVESTMENTS EXTERNALLY MANAGED**

<b>Cost of Investment</b>	<b>Units</b>	<b>£</b>
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)	133	124
<b>Total Invested to 31 December 2023</b>	<b>259,720</b>	<b>281,011</b>

<b>Value of Investment</b>	<b>£</b>
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
31 December 2023	257,747
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>(23,264)</b>

<b>Return on Investment from inception</b>	<b>Capital Return %</b>	<b>Total Return %</b>
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
to 31 December 2023	-8.34	+24.15