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## **Monitoring Report for 12 Months to 31 March 2016**

**Report by the Chief Financial Officer**

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

**12 May 2016**

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

- 1.1 This report provides the details of the income and expenditure for the Gala Common Good Fund for the year 2015/16 including balance sheet values at 31 March 2016 and proposed budget for 2016/17.**
- 1.2 Appendix 1 provides actual income and expenditure for 2015/16. This shows a surplus of £1,763 and a projected deficit of £55 for 2016/17.
- 1.3 Appendix 2 provides projected balance sheet value to 31 March 2016. It shows an increase in the reserves of £31,262 due mainly to property revaluations and depreciation.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing the 2015/16 movements in net book values.
- 1.5 Appendix 4 shows the value of the Newton Fund to 31 March 2016.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Common Good Sub Committee:**
  - (a) Notes the actual income and expenditure for 2015/16 in Appendix 1;**
  - (b) Agrees the proposed budget for 2016/17 as shown in Appendix 1;**
  - (c) Notes the final balance sheet value as at 31 March 2016 in Appendix 2;**
  - (d) Notes the summary of the property portfolio in Appendix 3; and**
  - (e) 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 March 2016 and proposed budgets for 2016/17. The report also contains a projected balance sheet for the Common Good Fund as at 31 March 2017.

### 4 FINANCIAL POSITION 2015/16

4.1 Appendix 1 provides detail on income and expenditure for the 2015/16 financial year as well as a proposed budget for 2016/17.

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

There is no rental income due from the Galashiels Common Good properties.

#### 4.3 **Income & Expenditure – Non-Property Related Income**

The final out-turn shows a total of £3,363 and includes donations from the Ladhope Estate (£2,809) and from the Ex Provost Mercer Bequest (£31). Also included here are the Newton Fund dividends and the interest received on cash deposited with the Council which amounted to £28. The annual rate of interest applied to the cash deposits is 0.36%.

4.4 The capital reserve is invested in the Newton Fund and distributions were made twice in the year in September and February. Dividends of £496 were received in total to 31 March 2016. The proposed budget for 2016/17 is based on a distribution of 2.0% of the Market Value at 31 March 2015.

#### 4.5 **Income & Expenditure – Property Expenditure**

There are no property expenses on the Galashiels Common Good properties.

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

The grants and other donations distributed to 31 March 2016 are shown below.

<b>Grant Recipients</b>	<b>Approved</b>	<b>£</b>
<b>Approved and Paid to 31 March 2016</b>		
Energise Galashiels Grant	09/06/15	1,000
<b>Total Paid to 31 March 2016</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>

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

This is not a cash transaction and is off-set by a corresponding contribution from the Revaluation Reserve.

4.8 Appendix 2 provides the balance sheet value as at 31 March 2016 and a projected balance as at 31 March 2017.

#### 4.9 Balance Sheet – Fixed Assets

The planned 2015/16 revaluation exercise on all Galashiels Common Good properties has been carried out and is reflected in Appendix 3 which shows the net book value of individual assets. Appendix 3 shows re-stated values of Common Good properties as at 31 March 2015, which includes the full Old Gala House valuation. The revaluation of properties has resulted in a net increase of £102,560. Depreciation throughout the year of £72,880 has resulted in a net Fixed Asset movement of £29,679.

#### 4.10 Balance Sheet – Newton Investment

- (a) The investment market during 2015-16 has been driven by uncertainty. Equity and bond markets have been pushed and pulled by a concoction of concerns: the outlook for the economy in China, the Greek debt crisis, falling oil prices and huge amounts of uncertainty regarding US interest rates. In the last three months the muddiness of general global economic prospects, continued sliding of commodity prices and worsening corporate profits have only added to these concerns.
- (b) Global equity markets experienced falls of up to 20% from their peak levels but began to recover in February and in pound sterling terms achieved aggregate gains over the three months to the end of March.
- (c) However, over the full year to 31 March 2016, this Qtr. 4 rally did not quite get the value of the Newton Fund back to its March 2015 level, resulting in a 1.5% fall in like for like market value over the year. Nevertheless, the closing market value of investments at 31 March 2016 yielded a 1.3% unrealised gain since inception. Common Good Fund dividends received in 2015-16 for the whole Newton investment amounted to £51,062, approximately 2.2% of funds invested.
- (d) Appendix 4 shows the performance of the Newton Fund since inception.

#### 4.11 Balance Sheet – Cash Balance

The cash held by the fund is £6,533, an in year net decrease of £3,237. The 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)
Surplus for year from Income & Expenditure Statement	1,763
Net cash movement in Debtors/Creditors	0
<b>Closing Balance at 31 March 2016</b>	<b>6,533</b>

#### 4.12 Balance Sheet – Capital Reserve

The Capital Reserves include the unrealised loss for the Newton Fund as at 31 March 2016.

## 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 18 February 2016

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## GALASHIELS COMMON GOOD FUND

## INCOME AND EXPENDITURE 2015/16

	Actuals at 31/03/16 £	Full Year Budget 2015/16 £	Over/ (Under) Spend 2015/16 £	Proposed Budget 2016/17 £	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	(28)	(70)	42	(28)	4.3	Calculated at 0.36%
Newton Fund Investment – Dividends Rec'd	(496)	(530)	34	(517)	4.4	2016/17 Calculated at 2.0%
Other Income	(2,840)	(3,100)	261	(3,000)	4.3	
<b>Total Income</b>	<b>(3,363)</b>	<b>(3,700)</b>	<b>337</b>	<b>(3,545)</b>		
<b>Property Expenditure</b>						
Property Costs – General	0	0	0	1,000		
<b>Total Property Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>		
<b>Grants &amp; Other Donations</b>	<b>1,000</b>	<b>3,000</b>	<b>(2,000)</b>	<b>2,000</b>	4.6	
<b>Running Costs</b>						
Central Support Service Charge	1,922	1,922	0	1,922		
SBC Grant towards Service Charge	(1,322)	(1,322)	0	(1,322)		
<b>Net Running Costs</b>	<b>600</b>	<b>600</b>	<b>0</b>	<b>600</b>		
<b>Depreciation</b>						
Depreciation Charge	72,880	11,738	61,142	72,880		
Contribution from Revaluation Reserve	(72,880)	(11,738)	(61,142)	(72,880)		
<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>(1,763)</b>	<b>(100)</b>	<b>(1,663)</b>	<b>55</b>		

## GALASHIELS COMMON GOOD FUND

## PROJECTED BALANCE SHEET VALUE AT 31 MARCH 2016

	Opening Balance at 01/04/15 £	Movement in Year 2015/16 £	Closing Balance at 31/03/16 £	Projected Balances at 31/03/17 £
<b>Fixed Assets</b>				
Land & Buildings	558,191	29,679	587,870	514,990
Heritable Assets	0	0	0	0
<b>Total Fixed Assets</b>	<b>558,191</b>	<b>29,679</b>	<b>587,870</b>	<b>514,990</b>
<b>Capital in Newton Investment Fund</b>				
Investment in Newton Fund	20,476	5,000	25,476	25,476
Unrealised Gains/(Loss)	569	(180)	390	390
<b>Market Value</b>	<b>21,045</b>	<b>4,820</b>	<b>25,866</b>	25,866
<b>Current Assets</b>				
Debtors	0	0	0	0
Cash deposited with SBC	9,770	(3,237)	6,533	6,478
	<b>9,770</b>	<b>(3,237)</b>	<b>6,533</b>	<b>6,478</b>
<b>Current Liabilities</b>				
Creditors	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>589,006</b>	<b>31,262</b>	<b>620,269</b>	<b>547,334</b>
<b>Funded by:</b>				
<b>Reserves</b>				
Revenue Reserve	(9,770)	3,237	(6,533)	(6,478)
Capital Reserve	(21,045)	(4,820)	(25,866)	(25,866)
Revaluation Reserve	(558,191)	(29,679)	(287,870)	(514,990)
<b>Total Reserves</b>	<b>(589,006)</b>	<b>(31,262)</b>	<b>(620,269)</b>	<b>(547,334)</b>

## GALASHIELS COMMON GOOD FUND

PROPERTY PORTFOLIO PERFORMANCE FOR 2014/15  
(Actual Income and Expenditure to 31 March 2016)

Fixed Assets	Re-Stated Net Book Value at 31/03/15 Pre- Revaluation £	Net Book Value at 31/03/16 Post- Revaluation £	Diff in Value Incr / (Decr) £	Actual Rental Income 2015/16 £	Actual Property Expenditure at 31/03/16				
					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	110,000	35,750	0	0	0	0	0	0
Ladhope Woodland	8,800	6,250	(2,550)	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	465,072	471,620	6,548	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>558,191</b>	<b>587,870</b>	<b>29,679</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 March 2016</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	25,866
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>390</b>

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

