
Monitoring Report for 12 Months to 31 March 2016

Report by the Chief Financial Officer

Hawick Common Good Sub Committee

17 May 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 year 2015/16 including balance sheet values as at 31 March 2016 and proposed budget for 2016/17.**
- 1.2 Appendix 1 provides the actual income and expenditure for 2015/16. This shows a surplus of £27,005 and a projected surplus of £49,504 for 2016/17.
- 1.3 Appendix 2 provides a balance sheet value to 31 March 2016. It shows a decrease in the reserves of £18,113 due mainly to the depreciation adjustment.
- 1.4 Appendix 3 provides a breakdown of the property portfolio showing actual rental income and property expenditure to 31 March 2016 where applicable and the 2015/16 depreciation charge.
- 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.**
 - (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 to 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**
Rental income for 2015/16 is shown on Appendices 1 & 3 with Appendix 3 detailing the annual rental income by individual property.
- 4.3 **Income & Expenditure – Non-Property Related Income**
The final out-turn shows a total of £19,204 and includes the balance of a contribution from the Community Council for work at Williestruther (£8,700), a donation for bunting (£25), Squirrel Control (£1,461) and Pay & Display (£296). Also included here are Newton Fund dividends and the interest received on cash deposited with the Council. 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 are made twice in the year in September and February. Dividends of £8,139 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**
a) The property expenditure to 31 March 2016 is detailed in Appendix 3 by property. The positive variance against budget is a direct result of the planned silage works at Pilmuir Farm not going ahead.
b) The proposed Budget for 2016/17 includes general repair figures of £5,000 for St Leonard's, £10,000 for Pilmuir and £35,000 for the other Hawick properties. Further budget may be required for specific projects which will be reported and requested throughout the year once more detailed costs are established.
- 4.6 **Income & Expenditure – Grants & Other Donations**
The grants and other donations distributed to 31 March 2016 are shown below. A decision regarding the request from the Escape Youth Café for funding will be discussed at the next Common Good Sub Committee meeting once final audited accounts and other information requested from the organisation has been received. Any resulting grant awarded will impact on the 2016/17 accounts.

Grant Recipients	Approved	£
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Approved and Paid to 31 March 2016		
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
Salvation Army Xmas Carol Service 2014 Hall Hire	18/11/14	107
Hawick Golf Course Nominal Rent Contribution	16/02/16	9,200
Drumlanrig PS – Swimming Lessons	16/02/16	325
Total Paid to 31 March 2016		16,922
Approved but not yet paid		
-		0
Total Grants Approved		16,922
2015/16 Budget		29,200
Unallocated Budget		12,278

4.7 **Income & Expenditure – Depreciation Charge**

This is not a cash transaction and is off-set by a corresponding contribution from the Revaluation Reserve. There was a variance of £3,200 due to the St Leonard's Hut being fully depreciated but land still valued at £3,200.

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

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 2014. Appendix 3 shows the values of the individual properties at 31 March 2015, depreciation charges 2015/16 and value at 31 March 2016.

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 uncertainty 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 Hawick Common Good investments at 31 March 2016 yielded a 4% unrealised gain since inception. Common Good Fund dividends received in 2015-16 amounted to £8,139, approximately 2.3% 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 £129,825, an in year net decrease of £4,579. The cash movement for 2015/16 is as follows:

Cash Balance	£
Opening Balance at 1 April 2015	134,404
Transfer to Newton Fund	0
Surplus for year from Income & Expenditure Statement	27,005
Net cash movement in Debtors/Creditors	(31,584)
Closing Balance at 31 March 2016	129,825

4.12 Balance Sheet – Capital Reserve

The Capital Reserves include the unrealised gain 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 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 16 February 2016

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HAWICK 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
Property Income						
Rentals Receivable	(103,637)	(104,361)	724	(109,850)	4.2	Variance due to year end corrections
Non-Property Related Income						
Interest on Cash deposited with Council	(584)	(300)	(284)	(584)	4.3	Calculated at 0.36%
Newton Fund Investment – Dividends Rec'd	(8,139)	(8,979)	840	(7,439)	4.4	2016/17 Calculated at 2.0%
Other Income	(10,482)	(10,186)	(296)	(296)	4.3	
Total Income	(122,842)	(123,826)	984	(118,169)		
Property Expenditure						
Property Costs – General	47,380	49,423	(2,043)	35,000	4.5	Pilmuir work not carried out
Property Costs – Pilmuir	20,490	72,225	(51,735)	10,000	4.5	
Property Costs – St Leonards	5,880	5,532	348	5,000	4.5	
Total Property Expenditure	73,750	127,180	(53,430)	50,000		
Grants & Other Donations	16,922	29,200	(12,278)	13,500	4.6	
Running Costs						
Central Support Service Charge	10,841	10,841	0	10,841		
SBC Grant towards Service Charge	(5,676)	(5,676)	0	(5,676)		
Net Running Costs	5,165	5,165	0	5,165		
Depreciation						
Depreciation Charge	39,592	42,792	(3,200)	39,592	4.7	St Leonards Hut
Contribution from Revaluation Reserve	(39,592)	(42,792)	3,200	(39,592)		
Net impact of Depreciation on Rev Res	0	0	0	0		
Total Net (Surplus)/Deficit for year	(27,005)	37,719	(64,724)	(49,504)		

HAWICK 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 £
Fixed Assets				
Land & Buildings	3,674,859	(39,592)	3,635,267	3,595,675
Heritable Assets	3,000	0	3,000	3,000
Feu Duties	18	0	18	18
Total Fixed Assets	3,677,877	(39,592)	3,638,286	3,598,694
Capital in Newton Investment Fund				
Investment in Newton Fund	359,171	0	359,171	359,171
Unrealised Gains/(Loss)	18,320	(5,525)	12,795	12,795
Market Value	377,491	(5,525)	371,966	371,966
Current Assets				
Debtors	6,812	(2,156)	4,656	4,656
Cash deposited with SBC	134,404	(4,579)	129,825	179,329
Total Current Assets	141,216	(6,735)	134,481	183,985
Current Liabilities				
Creditors	(21,472)	19,821	(1,651)	(1,651)
Receipts in Advance	(19,197)	13,919	(5,278)	(5,278)
Total Current Liabilities	(40,668)	33,740	(6,929)	(6,929)
Net Assets	4,155,916	(18,113)	4,137,804	4,147,716
Funded by: Reserves				
Revenue Reserve	(100,547)	(27,005)	(127,552)	(177,056)
Capital Reserve	(513,326)	5,525	(507,801)	(371,966)
Revaluation Reserve	(3,542,043)	39,592	(3,502,451)	(3,598,694)
Total Reserves	(4,155,916)	18,113	(4,137,804)	(4,147,716)

HAWICK COMMON GOOD FUND

PROPERTY PORTFOLIO PERFORMANCE FOR 2015/16
(Actual Income and Expenditure to 31 March 2016)

Fixed Assets	Net Book Value at 31/03/15	Deprec'n Charge 2015/16	Net Book Value at 31/03/16	Actual Rental Income 2015/16	Actual Property Expenditure at 31/03/16				
					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	381	12,167	0	0	785	12,952
Williestruther Cottage	175,371	4,629	170,742	5,702	1,625	0	60	0	1,686
Lothian Street Store	17,537	463	17,074	2,546	0	0	83	0	83
Common Haugh Car Park	82,000	0	82,000	7,695	1,403	3,221	0	90	4,714
Underhaugh	0	0	0	0	0	0	0	0	0
Hawick Moor Racecourse & Bldgs	33,760	1,240	32,520	175	6,011	0	1,477	125	7,613
Hawick Moor Shootings	4,000	0	4,000	324	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	863	0	2	0	865
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	661	661
Woodend Grazings (East)	1,000	0	1,000	75	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	2,198	-37	3,534	6,584
General Sub Total	839,425	21,825	817,600	27,998	34,671	5,419	1,738	5,552	47,380

Fixed Assets	Net Book Value at 31/03/15	Deprec'n Charge 2015/16	Net Book Value at 31/03/16	Actual Rental Income 2015/16	Actual Property Expenditure at 31/03/16				
					Repairs	Rates, Water & Power	Ins	Other	Total
	£	£	£	£	£	£	£	£	£
Pilmuir									
Pilmuir Farm	1,796,251	3,749	1,792,502	45,000	10,339	0	1,225	0	11,564
Pilmuir Farm Cottage	156,400	3,600	152,800	7,200	3,153	0	0	0	3,153
Pilmuir Farm Shed & Silage Pit	0	0	0	0	4,150	0	0	500	4,650
Property Expenditure (General)	-	-	-	-	0	0	0	1,123	1,123
Pilmuir Sub Total	1,952,651	7,349	1,945,302	52,200	17,642	0	1,225	1,623	20,490
St Leonards									
St Leonards Farmhouse Buildings	251,111	4,889	246,222	8,897	1,464	0	454	0	1,918
St Leonards Cottage & Park	209,471	5,529	203,942	5,400	1,642	0	78	0	1,720
St Leonards Hut	3,200	0	3,200	0	1,381	0	31	0	1,412
St Leonards Grazings (Lot 1)	135,000	0	135,000	1,352	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	349	831
St Leonards Sub Total	882,782	10,418	872,364	23,440	4,968	0	563	349	5,880
Total	3,674,858	39,592	3,635,266	103,638	59,793	5,419	3,526	7,523	73,750

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 March 2016	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	371,966
Increase/(Decrease) from Total Cash Invested	12,795

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

