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

**Report by the Chief Financial Officer**

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### **Jedburgh Common Good Sub Committee**

**1 June 2016**

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

- 1.1 This report provides the details of the income and expenditure for the Jedburgh 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 £22,228 for the year and a projected deficit of £333 for 2016/17.
- 1.3 Appendix 2 provides balance sheet value as at 31 March 2016. It shows a decrease in the reserves of £3,405, due to depreciation of assets, the above surplus generated in the year and movements in the value of investments.
- 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 to 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 the proposed budget for 2016/17. The surplus generated in the year of £22,228 is greater than the budgeted surplus of £6,485 due to lower than anticipated grant payments.

#### 4.2 Income & Expenditure – Rental Income

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

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

The final out-turn shows a total of £35,099 and includes a grant from Scottish Borders Council to the Jedburgh Common Good Fund relating to the sale of 3 Exchange Street (£13,100). Also included here are Newton Fund dividends, see para 4.4, as well as the interest received on cash deposited with the Council and interest provided by loans from the Common Good amounting to £97 and £1,306 respectively. The annual rate of interest applied to the cash deposits with SBC is 0.36%.

4.4 The capital reserve is invested in the Newton Fund and distributions are made twice a year in September and February. Dividends of £20,596 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 Jedburgh 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>		
Jethart Callant Festival	03/06/15	5,000
Jed Horticultural Society	03/06/15	2,142
Riverside Rock – towards overall running costs	09/12/15	2,000
Jedforest Historical Society – History of NB Rayon	03/02/16	1,000
Jedburgh Callants Club – Hand Ba Game Exhibit	03/02/16	500
<b>Total Paid to 31 March 2016</b>		<b>10,642</b>
<b>Budget 2015/16</b>		<b>30,000</b>
<b>Unallocated 2015/16 Budget</b>		<b>19,358</b>
<b>Proposed 2016/17 Budget</b>		<b>18,250</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**

All fixed assets of the Common Good Fund are revalued every five 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 for 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 Jedburgh Common Good investments at 31 March 2016 yielded a 4% unrealised gain since inception. Common Good Fund dividends received in 2015-16 amounted to £20,596, 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 £55,736, an in-year net increase of £27,097. The cash movement for 2015/16 is as follows:

<b>Cash Balance</b>	<b>£</b>	<b>£</b>
<b>Opening Balance at 1 April 2015</b>		<b>28,639</b>
<b>Repayment of Principal (Long Term Debtors)</b>		
Jedburgh Bowling Club Loan	9,000	
Jedburgh Golf Club Loan	869	
Jedburgh Community Trust Loan	1,000	10,869
Surplus for year from Income & Expenditure Statement		22,228
Net cash movement in Debtors/Creditors		(6,000)
<b>Closing Balance at 31 March 2016</b>		<b>55,736</b>

#### 4.12 **Balance Sheet – Capital Reserve**

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

#### **4.13 Contingent Asset – Jedburgh Golf Club**

The final accounts will also include a Contingent Asset of £25,000 for the remaining balance of the secured grant given to Jedburgh Golf Club in January 2005 for the purchase of two additional fields. This position will be reviewed on an annual basis to assess the likelihood of the Golf Club disposing of the fields.

## **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:** Jedburgh Common Good Committee 3 February 2016

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## JEDBURGH 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 Receivable from Loans to – Jedburgh Bowling Club	(1,111)	(1,265)	154	(1,000)		
Jedburgh Golf Club	(195)	(224)	29	(224)		
Interest on Cash deposited with Council	(97)	(225)	128	(97)	4.3	Calculated at 0.4%
Grant from SBC	(13,100)	(13,100)	0	0	4.3	Sale of 3 Exchange Street
Newton Fund Investment – Dividends Rec'd	(20,596)	(23,900)	3,304	(18,825)	4.4	2016/17 Calculated at 2.0%
<b>Total Income</b>	<b>(35,099)</b>	<b>(38,714)</b>	<b>3,615</b>	<b>(20,146)</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>10,642</b>	<b>30,000</b>	<b>(19,358)</b>	<b>18,250</b>	4.6	
<b>Running Costs</b>						
Central Support Service Charge	3,621	3,621	0	3,621		
SBC Grant towards Service Charge	(1,392)	(1,392)	0	(1,392)		
<b>Net Running Costs</b>	<b>2,229</b>	<b>2,229</b>	<b>0</b>	<b>2,229</b>		
<b>Depreciation</b>						
Depreciation Charge	11,600	11,600	0	11,600		
Contribution from Revaluation Reserve	(11,600)	(11,600)	0	(11,600)		
<b>Net impact of Depreciation on Rev Res</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Total Net (Surplus)/Deficit for year</b>	<b>(22,228)</b>	<b>(6,485)</b>	<b>(15,743)</b>	<b>333</b>		

## JEDBURGH COMMON GOOD FUND

## 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	488,400	(11,600)	476,800	465,200
Feu Duties	0	0	0	0
<b>Total Fixed Assets</b>	<b>488,400</b>	<b>(11,600)</b>	<b>476,800</b>	<b>465,200</b>
<b>Capital in Newton Investment Fund</b>				
Investment in Newton Fund	915,174	0	915,174	915,174
Unrealised Gains/(Loss)	40,115	(14,033)	26,082	26,082
<b>Market Value</b>	<b>955,289</b>	<b>(14,033)</b>	<b>941,256</b>	<b>941,256</b>
<b>Long Term Debtors</b>				
Loan to Jedburgh Bowling Club	49,000	(9,000)	40,000	<b>31,000</b>
Loan to Jedburgh Golf Club	4,500	(869)	3,631	<b>2,631</b>
Loan to Jedburgh Comm Trust	4,833	(1,000)	3,833	<b>2,833</b>
	<b>58,333</b>	<b>(10,869)</b>	<b>47,464</b>	<b>36,464</b>
<b>Current Assets</b>				
Debtors	0	0	0	0
Cash deposited with SBC	28,639	27,097	55,736	66,403
	<b>28,639</b>	<b>27,097</b>	<b>55,736</b>	<b>66,403</b>
<b>Current Liabilities</b>				
Creditors	(6,000)	6,000	0	0
Receipts in Advance	0	0	0	0
	<b>(6,000)</b>	<b>6,000</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>1,524,661</b>	<b>(3,405)</b>	<b>1,521,255</b>	<b>1,509,323</b>
<b>Funded by: Reserves</b>				
Revenue Reserve	(80,972)	(22,228)	(103,200)	(102,867)
Capital Reserve	(957,962)	14,033	(943,929)	(941,256)
Revaluation Reserve	(485,727)	11,600	(474,127)	(465,200)
<b>Total Reserves</b>	<b>(1,524,661)</b>	<b>3,405</b>	<b>(1,521,255)</b>	<b>(1,509,323)</b>

## JEDBURGH 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
	£	£	£	£	£	£	£	£	£
Jedburgh Provosts Room	0	0	0	0	0	0	0	0	0
Jedburgh Castle Jail	0	0	0	0	0	0	0	0	0
Mary Queen of Scots House	488,400	11,600	476,800	0	0	0	0	0	0
Murray's Green Park	0	0	0	0	0	0	0	0	0
Dounehill (Dunshill)	0	0	0	0	0	0	0	0	0
Ramparts	0	0	0	0	0	0	0	0	0
Market Cross	0	0	0	0	0	0	0	0	0
Property Expenditure (General)	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>488,400</b>	<b>11,600</b>	<b>476,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## JEDBURGH COMMON GOOD FUND

## INVESTMENTS EXTERNALLY MANAGED IN NEWTON REAL RETURN FUND

Cost of Investment	Units	£
13 December 2013	23,377	43,708
17 January 2014	147,816	280,185
24 January 2014	146,191	276,008
3 February 2014	140,878	265,273
5 March 2015	25,576	50,000
<b>Total Invested to 31 March 2016</b>	<b>483,838</b>	<b>915,174</b>

Value of Investment	£
31 March 2015	955,289
30 June 2015	928,146
30 September 2015	901,728
31 December 2015	913,969
31 March 2016	941,256
<b>Increase/(Decrease) from Total Cash Invested</b>	<b>26,082</b>

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

