

ANNUAL REPORT AND FINANCIAL STATEMENTS

**SCOTTISH BORDERS COUNCIL
COMMON GOOD FUNDS
Charity Registration Number: SC031538**

FOR THE YEAR TO 31 MARCH 2014

Contents

	Page
Foreword	2
Trustee's Annual Report	3
Statement of Trustees' Responsibilities for the Annual Report and Financial Statements	6
Financial Statements	
Statement of Financial Activities	7
Balance Sheet	8
Cash flow Statement	9
Reconciliation of Net Cash Flow Movements to Net Funds	9
Accounting Policies	10
Notes to the Accounts	12
Independent Auditor's Report to the Trustees	16
Contact Information	18

FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Significant work has been undertaken following the implementation of the Common Good and Trust Fund Investment Strategy with the transfer of investments and cash held by the Council for the Trusts into a pooled fund (Newton Real Return Fund) managed by Newton Investment Management who are part of the Bank of New York Mellon. This is already demonstrating improved cash generation for the Funds.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2014.

Reference and Administrative Information

Charity Name	Scottish Borders Council Common Good Funds
Charity registration number	SC031538
Business Address	Council HQ Newtown St Boswells Melrose Scottish Borders

Trustees

The Trustees of this charity are the duly elected members of Scottish Borders Council, a local authority constituted under the Local Government (Scotland) Act 1994. These are

Sandy Aitchison		Bill Herd
Willie Archibald		Gavin Logan
Michelle Ballantyne		Stuart Marshall
Stuart Bell		John G Mitchell
Catriona Bhatia		Donald Moffat
Jim Brown		Simon Mountford
Nathaniel Buckingham	<i>to 29 July 2013</i>	Alexander J Nicol
Joan Campbell		David Parker
Michael J Cook		David Paterson
Keith Cockburn	<i>from 11 October 2013</i>	Frances Renton
Alastair Cranston		Sandy Scott
Vicky M Davidson		Ron Smith
Gordon Edgar		Rory Stewart
The late Zandra Elliot	<i>to 22 February 2014</i>	Jim Torrance
James A Fullerton		George Turnbull
Graham H T Garvie		Tom Weatherspoon
Iain Gillespie	<i>from 3 May 2013</i>	Bill White .
John Greenwell		

Chief Executive The Chief Executive of Scottish Borders Council is Tracey Logan.

Auditor KPMG LLP
191 West George Street
Glasgow
G2 2LJ

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Common Good Funds.

All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

Structure

- a) The Charity comprises a number of separate funds for the former Burghs of:
 - Duns
 - Galashiels
 - Hawick
 - Jedburgh
 - Kelso
 - Lauder
 - Peebles, and
 - Selkirk
- b) Each fund is administered by a Sub-Committee of Elected Members representing the wards in which each Burgh is situated.

Governance and Management

Type of Governing Documents

- a) The overarching governance of the Charity is the principle of statute and common law. The statutory framework is the successive Acts from the Common Good Act 1491 through to the Local Government etc Scotland Act 1994, with the Local Government (Scotland) Act 1973 provisions still in force, and the Local Government in Scotland Act 2003. Cognisance is also to be taken of the various judicial opinions in the case law governing the treatment of Common Goods.
- b) In terms of the Trustee's governance of the fund, they have determined that this is in terms of the Corporate Governance of the Council, namely the code as comprises:-
 - Financial Regulations
 - Code of Corporate Governance
 - Procedural Standing Orders
 - Scheme of Administration, and
 - Scheme of Delegation
- c) When considering any action in connection with the Common Good Funds the Trustees have in the interest of the Common Good Fund and have regard to the interests of the inhabitants of the area to which the Common Good formerly related.
- d) The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council and the relevant ward, i.e. those wards covering former Burgh areas and in terms of the Council's Code of Governance.

Charitable Purpose

The charitable purpose of the Common Good Funds are that, subject to their legal responsibilities in terms of any assets held by the Trust, the funds are operated for the common good of the residents of the aforesaid former Burghs and may be used to provide advancement of citizenship or community development.

In respect of those funds which have land and property (Duns, Hawick, Jedburgh, Kelso, Lauder, Peebles and Selkirk), the Trustees recognise their obligations to ensure that these assets are maintained.

Summary of the Main Activities

The Charity has taken steps to ensure that the assets of the Funds are properly managed and accounted for. Quarterly budget monitoring reports have been prepared for consideration by the Trustees forming the Working Group for each individual Burgh and the minutes of these meetings reported to the full Council in terms of the Code of Governance.

Maintenance work has been approved and carried out on fixed assets and responses made to applications for financial assistance as detailed in the Notes to the Financial Statements on page 12.

Most of the Funds have made donations to eligible beneficiaries in their Burghs.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

Funding and Reserves

Investments Following agreement to implement a single investment strategy for Common Good Funds and other Trust and bequest funds held by the Council, tenders were obtained for a Fund Manager and Newton was appointed. Funds held by Scottish Borders Council for the Charity were deposited in the Newton Real Return Fund.

Policy on Reserves The Council treats the Charities' funds in line with recognised national governance and applicable codes of practice.

Plans for the Future

The Common Good Funds will continue to maintain their heritable assets and will look to maximise their income from any of these assets which can be let commercially. Where assets are used by third parties towards the Common Good of the Burgh then rental levels may reflect this aspect of the tenants' activity.

Where funds permit, the Common Good Funds will look to make grants to organisations in their Burghs which will provide benefit to the Burgh residents.

The report was signed on behalf of the Trustees by

David Parker
Trustee
25 September 2014

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

The Trustees are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires that the trustees prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in its activities.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES (Including an Income and Expenditure Account) for the year ended 31 March 2014

2012/13 £'000		2013/14 £'000	Notes
	Incoming Resources		
	Incoming Resources from Generated Funds		
25	Voluntary Income	23	1
46	Investment Income	55	2
478	Rental Income	236	
0	Other Incoming Resources	0	
549	Total Incoming Resources	314	
	Resources Expended		
(458)	Costs of Generating Funds: Property Costs	(326)	
(134)	Charitable Activities	(154)	3
(55)	Governance Costs	(56)	5
(647)	Total Resources Expended	(536)	
(98)	Net Incoming / (Outgoing) Resources Before Other Recognised Gains And Losses	(222)	7
	Other Recognised Gains And Losses		
0	Property Sale	7	
0	Donated Heritage Property	19	
16	Net Realised Investment Gains/(Losses)	60	
16	Total Other Recognised Gains And Losses	86	
(82)	Net Income/(Expenditure) for the Year	(136)	
72	Net Unrealised Investment Gains/(Losses)	30	
(10)	Net Movement in Funds	(106)	
	Reconciliation of Funds		
9,849	Balance Brought Forward at 1 April	9,839	
9,839	Balance Carried Forward at 31 March	9,733	

All of the charity's activities are continuing.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 15 form part of these Financial Statements.

BALANCE SHEET as at 31 March 2014

as at 31 March 2013			as at 31 March 2014		Notes
£'000	£'000		£'000	£'000	
		Fixed Assets			
7,228		Tangible Fixed Assets	7,092		8
1,039		Investments	2,177		9
	8,267			9,269	
	36	Long Term Loan to Third Party		102	
		Current Assets			
0		Stock	0		
83		Debtors	3		10
1,522		Due from Scottish Borders Council	479		
	1,605			482	
	(69)	Current Liabilities			
		Creditors: Amounts falling due within 1 year		(120)	11
	9,839	Total Assets Less Current Liabilities		9,733	
		Funds			
	(2,802)	Restricted Funds		(2,841)	12
	(7,037)	Revaluation Reserve		(6,892)	
	9,839	Total Funds		9,733	

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 15 form part of these Financial Statements.

Approved by the Trustees on 25 September 2014 and signed on their behalf by:-

David Parker
Trustee

David Robertson CPFA

CASH FLOW for the year ended 31 March 2014

2012/13 £'000		2013/14 £'000
	Reconciliation of Operating Profit to Net Cash Flow from Operating Activities	
(98)	Net Incoming/(Outgoing) Resources Before Other Recognised Gains and Losses	(222)
(46)	Investment Income and Interest Receivable	(55)
166	Depreciation Charges	171
(10)	Decrease/(Increase) in Debtors	1,121
(36)	Increase/(Decrease) in Creditors due within 1 year	51
(0)	Other Non Cash Movement through Income and Expenditure Account	94
(24)	Net Cash Inflow/(Outflow) from Operating Activities	1,160

2012/13 £'000		2013/14 £'000
	Cash Flow Statement	
(24)	Net Cash Inflow/(Outflow) from Operating Activities	1,160
	Returns on Investments and Servicing of Finance	
46	Investment Income and Interest Receivable	55
	Capital Expenditure and Financial Investments	
(25)	Payments – Loan Advances and Bequests	(169)
(160)	Payments to Acquire Investments	(2,145)
163	Payments from Sales of Investments	1,099
0	Increase / (Decrease) in Cash	0
0	Movement in Cash in Period	0

Reconciliation of Net Cash Flow to Movement in Net Funds			
	As at 1 April 2013 £'000	Movement £'000	As at 31 March 2014 £'000
Cash at Bank and In Hand	0	0	0
	0	0	0

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) regulations 2006 (as amended) and the Statement of Recommended Practice: Accounting and reporting by Charities issued in February 2006, except for the non-recognition of donated assets (see donations and gifts below).

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when they are approved.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds

Funds are classified as Restricted Funds, defined as follows:

Restricted funds are funds subject to specific conditions, which may be declared by the donors or with their authority or created through legal processes, but still within the objects of the charity.

Voluntary Income

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Tangible Fixed Assets

Tangible fixed assets, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land is held at current valuation and is not depreciated. All tangible fixed assets are subject to revaluation every five years, with the next revaluation being undertaken in 2014/15. Depreciation is charged on all tangible fixed assets other than land at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Investments

Fixed asset investments are stated at market value. Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchases in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Cash and Liquid Assets

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

NOTES TO THE FINANCIAL STATEMENTS

1 Voluntary Income

Restricted

2012/13 £000		2013/14 £'000
2	Duns	1
2	Galashiels	1
5	Hawick	6
1	Jedburgh	1
1	Kelso	1
5	Lauder	6
5	Peebles	3
4	Selkirk	4
25		23

2 Investment Income

2012/13 £000		2013/14 £'000
12	Bank Interest Receivable	7
34	Income from Investment Portfolio	48
46		55

3 Charitable Activities

	Activities Undertaken Directly £'000	Support Costs (Note 4) £'000	Total £'000
Duns	0	5	5
Galashiels	0	2	2
Hawick	12	155	167
Jedburgh	10	14	24
Kelso	2	31	33
Lauder	106	23	129
Peebles	5	56	61
Selkirk	19	96	115
	154	382	536

4 Support Costs

	2013/14 £'000
Property	326
Other support	56
Depreciation net of transfer from Revaluation reserve	0
	382

5 Governance Costs

The fee for the external audit of the charity was included as part of the support costs charged by the Scottish Borders Council.

6 Trustees and Employees

There are no employees and nothing was paid by the charity to its trustees for any expenses or remuneration in either the current or previous year.

7 Net Incoming Resources

Net Incoming Resources are Stated after Charging:

2012/13 £'000		2013/14 £'000
166	Depreciation and Other Amounts Written Off Tangible Fixed Assets	171

8 Tangible Fixed Assets

	as at 31 March 2014			
	Land & Buildings at Book Value	Heritage Assets	Other Assets	Total
	£'000	£'000	£'000	£'000
Duns	4	0	0	4
Hawick	2,529	3	0	2,532
Jedburgh	414	0	0	414
Kelso	650	19	0	669
Lauder	691	0	0	691
Peebles	676	0	2	678
Selkirk	2,103	1	0	2,104
	7,067	23	2	7,092

9 Investments

There are no Tangible Fixed Assets.

	2013/14 £'000
Market value at 31 March 2013	1,039
Additions at cost	2,147
Disposals at opening market value	(1,039)
Gain/(loss) on revaluation	30
Market value at 31 March 2014	2,177

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2014 all investments were with the Newton Real Return Fund.

10 Debtors

2012/13 £'000		2013/14 £'000
83	Trade Debtors and Accruals	3
36	Loans to Third Parties	102
1,522	Due from Scottish Borders Council	479
1,641		584

11 Creditors: Amounts Falling Due Within One Year

2012/13 £'000		2013/14 £'000
69	Trade Creditors and Accruals	120

12 Restricted Funds

	Balance at 31 March 2013	Income	Expenditure	Balance at 31 March 2014
	£'000	£'000	£'000	£'000
Duns	24	1	3	22
Galashiels	26	1	2	25
Hawick	601	125	131	595
Jedburgh	949	83	14	1,018
Kelso	271	17	4	284
Lauder	332	25	120	237
Peebles	421	73	39	455
Selkirk	178	79	52	205
	2,802	404	365	2,841

13 Analysis of Net Assets Between Funds

	Fixed Assets £'000	Other Current Assets Less Liabilities Due Within One Year £'000	Total £'000
Duns	4	22	26
Galashiels	0	25	25
Hawick	2,896	95	2,991
Jedburgh	1,288	142	1,430
Kelso	919	34	953
Lauder	890	36	926
Peebles	1,035	47	1,082
Selkirk	2,237	63	2,300
	9,269	464	9,733

14 Contingent Liabilities

The charity has approved a number of grants to third parties which have not been paid because either the activity to which they relate has not taken place by the 31 March 2014 or the grant has not yet been claimed by the recipient. These contingent liabilities are shown below against the fund to which they relate.

2012/13 £'000		2013/14 £'000
2	Hawick	2
0	Lauder	1
7	Peebles	23
12	Selkirk	6
21		32

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the trustees of Scottish Borders Council Common Good Funds and the Accounts Commission for Scotland

We have audited the financial statements of Scottish Borders Council Common Good Funds for the year ended 31 March 2014 set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of Scottish Borders Council and the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Scottish Borders Council and the Accounts Commission for Scotland, for this report, or the opinions we have formed.

Respective responsibilities of the trustees and auditor

As explained more fully in the Statement of Responsibilities set out on page 6, the trustees are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2014 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Independent auditor's report to the trustees of Scottish Borders Council Common Good Funds and the Accounts Commission for Scotland (continued)

Other matter – unaudited comparative amounts

The financial statements for the year ended 31 March 2013 were not audited. The comparative amounts in the financial statements for the year ended 31 March 2014 are therefore unaudited.

Opinion on other prescribed matter

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charity has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

David Watt
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

26 September 2014

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

CONTACT INFORMATION

For further information on the Common Good Funds, please contact

Lynn Mirley	Telephone: 01835 – 825016
Corporate Finance Manager	E-mail: lmirley@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA