

CORPORATE RESOURCE OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Thursday 14 th December 2017
Report Subject	Flintshire Community Endowment Fund – Annual Report
Cabinet Member	Leader of the Council and Cabinet Member for Finance & Cabinet Member for Corporate Management and Assets
Report Author	Chief Executive & Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

The Flintshire Community Endowment Fund (the Fund) was established in September 2013 following Cabinet approval to transfer approximately £200k of 16 educational trust funds which were moribund or ineffective to the Community Foundation in Wales.

The Fund has since been managed and invested in by the Community Foundation in Wales and local grants have been awarded by the grants panel. This report provides an update on the progress and performance of the Fund since it was last reported in May 2016.

A presentation on the work of the Fund will be provided to the Corporate Resources Overview and Scrutiny committee at its December meeting.

The report considers the proposal received from the Community Foundation in Wales to manage, administer and invest the Clwyd Tri-partite Welsh Church Act Fund (Clwyd WCAF) which is currently administered by the Council on behalf of Flintshire, Denbighshire and Wrexham Councils.

RECOMMENDATIONS

1	Members continue to endorse the work of the Community Foundation in Wales and the award of local grants as part of the Flintshire Community Endowment Fund.
---	---

2	Members approve the transfer of the management and the administration of the Clwyd Tri-partite Welsh Church Act Fund for Flintshire, Denbighshire and Wrexham to the Community Foundation for Wales from 1 st April 2018.
3	Members approve the transfer of the management and the administration of Flintshire grants awarded from the Welsh Church Act Fund to be combined with the process already in place for the Flintshire Community Endowment Fund.

REPORT DETAILS

1.00	EXPLAINING THE FLINTSHIRE COMMUNITY ENDOWMENT FUND
1.01	The Fund has been managed by the Community Foundation in Wales since 2013. A report on the Fund's progress and performance is provided regularly by a representative from the Community Foundation in Wales. The latest report is attached at Appendix 1.
1.02	The financial performance of the Fund continues to be strong with the value of the endowment having grown by 17% from £178,975 in 2013 to £209,652 as at 30 th September 2017.
1.03	Grants totalling £34,082 have been awarded since 2013. A grant panel was held in March 2017 and grants were awarded to 4 groups and 17 individuals totalling £10,335. Further information about these awards will be provided as part of the presentation to the Corporate Resources Overview and Scrutiny committee.
	<u>Clwyd Tri-partite Welsh Church Act Fund (Clwyd WCAF)</u>
1.04	The Welsh Church Act Fund is a charitable Trust Fund governed by the Welsh Church Act 1914. The Act separated and dis-established the Welsh part of the Church of England. The Welsh Church Act Trust was established from the proceeds and assets, which were distributed evenly amongst the former County Councils in Wales and further divided between the Unitary Authorities with their establishment in 1996. All authorities are required to draw up an appropriate scheme (of governance), under section 19 of the Act. Flintshire's scheme was approved by the Secretary of State for Wales in April 1999.
1.05	The Clwyd WCAF is administered by the Council on a lead authority basis for Flintshire, Denbighshire County Council and Wrexham County Borough Council. It is referred to as the tri-partite scheme. The trustee of the Clwyd WCAF is the Responsible Finance Officer for Flintshire County Council, currently the Corporate Finance Manager.
1.06	Responsibilities of the trustee include; the administration and management of the fund, investing funds, determining the distribution of net income generated to the 3 Councils, preparing annual accounts and submitting annual returns as necessary to the Charity Commission.

1.07	The Community Foundation in Wales has submitted a proposal to the Council to take over the management and administration of the Clwyd WCAF, though the Trusteeship would remain with the Council. Subject to Member approval a detailed agreement would be put in place for the Foundation to manage the fund on the Trustees behalf, which would cover roles, responsibilities and reporting requirements.
1.08	Both Denbighshire and Wrexham Councils have undertaken a similar exercise to that of Flintshire to transfer ineffective and moribund educational trust funds to the Community Foundation in Wales. The Foundation reports similar successes in terms of growing the endowment and grant making to that of Flintshire. The proposal has been shared with both Denbighshire and Wrexham Councils who have no objection to transferring the management and administration of the Clwyd WCAF to the Foundation.
1.09	The Foundation have been managing and administering the Welsh Church Act for Powys Council since 2009 with the endowment growing by 26% over the period 2009 to 2016.
1.10	The Foundation have approached the Charity Commission for an 'in principle' view on the proposal to transfer. Having reviewed the scheme's governing documents the commission confirmed that ' <i>subject to the Trustee having no concerns on the Foundation's suitability to manage the Fund (Clwyd WCAF) the Trustee has the power to delegate the management of the Fund (Clwyd WCAF) to the Foundation</i> '.
	<u>Investment Strategy</u>
1.11	The objective of current investment strategy, in place since 2003, in the short term is to generate annual income for grants, without jeopardising the longer term objectives of protecting the capital value against inflation, whilst keeping administration costs to a minimum. £20,000 a year has been allocated for grants which is shared between the 3 Councils on population basis. Investments have been made by Blackrock Investment Managers on the Trustees behalf in equal amounts of equities (shares), fixed interest deposits, and money market funds.
1.12	During the past six financial years the performance of the fund has been mixed due to the negative impact of investing in a low interest rate environment, and needing to maintain the amounts awarded in grants. The opening balance of the fund at 1 st April 2011 was £577,867 with a closing balance of £569,554 on 31 st March 2017, a slight reduction of £8,313 or 1.44%. Grants awarded total £149,000, at £20,000 per year with an additional £29,000 being made available in 2013/14 due to a high return on investments. The annual return on investments generated averages circa 2% over the six year period. Fees charged by the Council to cover administration costs were £3,400 per annum an average of 0.6% of the opening balance.
1.13	The Foundation's Investment Strategy is attached at Appendix 2 which is

	<p>overseen by its Finance, Risk and Investment Committee. The strategy is: <i>'To offer a 'Fund Holder' grant-making capability that increases with inflation whilst maintaining the real value of both its capital and income for charitable purposes, over an economic cycle, through a diversified portfolio with a moderate risk profile.'</i> This is very similar to the objectives of the current investment strategy.</p>
1.14	<p>During the 5 year period 1st April 2011 to 31st March 2016 the Foundation has achieved average annual returns of 6.5% however, the Foundation point out that past performance is no guarantee of future returns. The fee for managing the endowment is 1.25%.</p> <p>For illustrative purposes only an opening balance of £510,000 transferred to the Foundation therefore could potentially have given investment income of £33,150, of which £20,000 would be used to pay grants and £6,789 in fees, leaving a closing balance of £516,361 on the Clwyd WCAF, a £6,361 increase or 1.25%.</p>
1.15	<p>The Foundation are seeking a nominal fee of 0.5% of the value of the total assets at the time of transfer, to cover the direct costs involved in agreeing and effecting the transfer of responsibilities pertaining to the management and administration of the Scheme.</p>
	<p><u>Flintshire Welsh Church Act Scheme – Grant Awarding Process</u></p>
1.16	<p>The current grant awards are agreed jointly between representatives from the Council and Flintshire Local Voluntary Council. The awards are then authorised through the Delegated Powers process. It is proposed that future Welsh Church Act Fund awards are integrated with those of the Flintshire Community Endowment Fund. This will streamline the process and maintain involvement from the Flintshire Local Voluntary Sector. An annual report will be provided on the grants awarded as part of the Community Endowment report.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>The transfer of the management and administration of the Clwyd WACF to the Foundation will result in a loss of income to the Council of £3,400 per annum, however this will free up officer time involved in managing and administering the Clwyd WCAF.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>A report along with a presentation from representatives of the Community Foundation in Wales will be made to Corporate Resources Overview and Scrutiny Committee on December 14th</p>
3.02	<p>The proposal has been shared with both Denbighshire and Wrexham Councils who have no objection to transferring the management and administration of the Clwyd WCAF to the Foundation.</p>

--	--

4.00	RISK MANAGEMENT
-------------	------------------------

4.01	<p>Financial risks to the Fund and the Clwyd WCAF include; reduced rates of interest being earned on the investment portfolio and potential losses from a fall in the value of instruments where investments are held, both linked with general market conditions. Also a lack of further growth of the Fund by donors and philanthropists.</p> <p>Risk is managed by the Community Foundation in Wales according to its investment strategy and scrutinised quarterly by the Foundation's Finance, Risk and Investment Committee.</p>
------	--

5.00	APPENDICES
-------------	-------------------

5.01	<ol style="list-style-type: none"> 1. Flintshire Community Endowment Fund – Impact report October 2017 2. Community Foundation in Wales – Investment Strategy
------	---

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
-------------	--

6.01	<p>Contact Officers: Karen Armstrong – Corporate Business and Communications Executive Officer Liz Thomas – Technical Finance Manager</p> <p>Telephone: 01352 702740 01352 702289</p> <p>E-mail: karen.armstrong@flintshire.gov.uk liz.thomas@flintshire.gov.uk</p>
------	--

7.00	GLOSSARY OF TERMS
-------------	--------------------------

7.01	<p>Community Foundation in Wales: The Community Foundation in Wales is a unique charity which promotes and manages philanthropy. Their role is to strengthen communities in Wales by awarding grants to projects that make a sustainable impact on local needs, and to help their clients make the most of their charitable giving.</p> <p>Endowment Fund: A financial asset, typically held by a non-profit organisation, which contains the capital investments and related earnings leveraged by the non-profit organisation to fund the overall mission or objective.</p> <p>Equities (Shares): Units of ownership interest in a corporation or financial asset that provide for an equal distribution in any profits, if any are declared, in the form of dividends.</p>
------	--

Fixed Term Deposit: Deposits of cash with terms attached relating to maturity and rate of return at a fixed rate of interest.

Money Market Fund: Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity

Welsh Church Act Fund: The Welsh Church Act 1914 is an Act of Parliament under which the Welsh part of the Church of England was separated and dis-established. The Welsh Church Act Trust was established from the proceeds and assets, which were distributed evenly amongst the former County Councils in Wales and further divided between the Unitary Authorities with their establishment in 1996.