

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **COMMUNITY PROFILE AND PARTNERSHIPS
OVERVIEW AND SCRUTINY COMMITTEE**

DATE: **MONDAY, 24 JUNE 2013**

**JOINT REPORT
BY:** **CHIEF EXECUTIVE AND HEAD OF FINANCE**

SUBJECT: **FLINTSHIRE COMMUNITY ENDOWMENT FUND**

1.00 PURPOSE OF REPORT

- 1.01 To advise the committee of the final arrangements of the 'Flintshire Community Endowment Fund' prior to any agreed launch.
- 1.02 To provide advice from the Head of Finance in her Section 151 statutory officer role in relation to risk, return and value for money as set out in the recommendation to the November 2012 Cabinet report.

2.00 BACKGROUND

- 2.01 Cabinet approval was given in 20 November 2012 to the closedown and transfer of existing moribund and ineffective education trust funds to a newly established Flintshire Community Endowment Fund to be managed and administered by the Community Foundation in Wales.
- 2.02 Cabinet also recommended that any transfer of trust funds would be subject to the Head of Finance in her Section 151 statutory officer role being satisfied that the investment strategy of the new Fund does not pose a significant risk to achieving a satisfactory return on funds and value for money.
- 2.03 The Chief Executive in consultation with the Leader was to determine the final working arrangements of the Panel and its supporting structure to discuss in partnership with the Community Foundation in Wales.

3.00 CONSIDERATIONS

- 3.01 Flintshire is currently responsible for 16 educational trust funds which are moribund or ineffective. Five of the trust funds have been registered with the Charity Commission and eleven are unregistered trust funds. Assets total £202,973 to date and are held in the form of cash. These funds are not Council funds and cannot be absorbed into mainstream budgets.

3.02 The Community Foundation in Wales will administer these trust funds as a single fund with their assets being held in perpetuity and with annual income used to support a new small grants scheme (working title: the 'Flintshire Community Endowment Fund") for charitable distribution to eligible individuals and organisations across the County, broadly in line with the trust funds' original objectives.

3.03 **Risk, Return and Value for Money**

In relation to risk, return and value for money, Cabinet on 20 November 2012, gave approval to proceed with the Community Endowment Fund subject to the Head of Finance in her Section 151 statutory role being satisfied that the investment strategy of the new fund does not pose a significant risk to achieving a satisfactory return on funds and value for money.

3.04 The advice from the Head of Finance is set out in the following paragraphs. Since the last report, further information has been requested from and discussion taken place with the Community Foundation in Wales. As a result of this work no fundamental matters have been identified which should prevent going ahead with the transfer of these funds to the Community Endowment Fund. However, that is not to say that there are no risks. In addition to the inherent risk which any investment strategy brings to the capital sum and the income to be generated, there could be some reputational risk to the Council if the financial objectives of the Trust are not achieved or governance issues arise in the future.

3.05 In making a decision to proceed, Cabinet, at its meeting on 18 June were advised to note the following:

- The principles of what the Community Foundation is aiming to achieve are positive and clear.
- The investment strategy under the Community Endowment Fund model will be different than has been the case in the past. Under the Council model, monies have been invested either in UK gilts, or latterly, have attracted the rate of interest earned on council cash balances. Whilst a "risk free" approach, the sums generated have been small. Under the endowment model, monies will be invested in risk assets (equities and commodities) where the value may go up or down.
- Selecting an appropriate strategy for investing capital sums to generate annual income is subjective. There is no right and wrong answer and it will vary from organisation to organisation. However, investment strategies should be built on clear objectives in relation to target return and levels of risk. In this area, we have been unable get clarity from the Foundation, much beyond its general aims and principles.
- In addition to the costs of managing the fund previously reported, it has been identified that there will be further fees and expenses

charged by the Investment Managers. These will be deducted from capital at sources and range from 0.51% to 0.75% of the market value of the asset and vary by Investment Manager.

- The Community Foundation has been very successful in seeking advice on the investment strategy and investment approach; however this is an informal arrangement. There is a potential for further cost in the future if this arrangement is not continued.
- In relation to governance, there are potential issues which could arise from the current low cost approach to advice which creates dual roles and from dependence on key individuals.
- It is recognised that the proposed approach and the associated risks are not unusual for organisations of this size and type.

3.06 **Flintshire Community Endowment Fund – Working Arrangements**

3.07 The Community Foundation in Wales will be responsible for promoting the scheme, receiving and assessing applications for funding prior to bringing them to a local Grants Panel.

3.08 The Grants Panel will be set up comprising of local people (to include nominees received from the Council, including officers and elected members) which will review the applications and their recommendations for a final decision to be made. The Foundation will appoint a trustee to chair the panel who will have non-voting rights.

3.09 The proposed composition of the Grants Panel has been locally determined in discussion with the Leader, Chief Executive and the Community Foundation in Wales. There will be the following representation:

- Community Foundation – Chair
- Elected Member representation – x2no. (Leader & Finance Portfolio plus Chair of Corporate Resources)
- Officer representation (max 2 no.)
- Flintshire Local Voluntary Council
- Local philanthropist

3.10 Initially, it is proposed to set aside up to £10,000 from the capital fund for distribution in grants both in 2013/14 and in 2014/2015. It is believed that this will encourage donations from potential philanthropic individuals, companies, businesses and organisations situated within the County who will be attracted to contributing to a fund which is capable of making an immediate impact in servicing the needs of the community.

A maximum grant award of £750 is proposed for individuals, voluntary groups or charitable organisations. This would be subject to regular review as the Fund develops.

3.11 As the original trust funds were donated for educational purposes the

initial distribution of grants will reflect these objectives and reflect one of the County vision aims of “learning and skills for life”. For this reason it is proposed that the launch of the Fund be timed to coincide with the academic year 2013/14 starting in September. This will allow for the scheme to be promoted to schools and other educational bodies prior to the summer break.

3.12 As the Fund grows there will be the potential to divest additional funding for other purposes which reflect the County Vision aims, and accord with the ‘objects’ of the transferred fund.

3.13 In addition to the Grants Panel there will be a Strategic Advisory Group to provide advice on the future growth of the Fund. This group is likely to be held at a sub regional level with Denbighshire (who have recently launched their own fund) and will include representatives from the business community as well as relevant council officer representation.

3.14 This report was presented to the Cabinet for approval at its meeting on 18 June 2013.

4.00 RECOMMENDATIONS

4.01 To note the closedown and transfer of existing moribund and ineffective education trust funds to a newly established ‘Flintshire Community Endowment Fund’ to be managed and administered by the trustees of the Community Foundation in Wales, given the assurances provided by the Head of Finance in her Section 151 statutory officer role, but noting the potential risks which remain.

4.02 To launch the Flintshire Community Endowment Fund with the working arrangements as set out in the report.

5.00 FINANCIAL IMPLICATIONS

As set out in the report.

In addition the following points are to be noted:

- when making investments there is a degree of risk involved
- decisions on how to manage investment risk will be transferred to the Foundation/Trustees with no option for the Council to resume control once transfer has taken place (despite performance reporting requirements included in the Fund Agreement).

6.00 ANTI POVERTY IMPACT

The Fund will seek to discharge the funds to support those who are disadvantaged; financially or socially.

7.00 ENVIRONMENTAL IMPACT

7.01 Environmental considerations can be built into the Trust’s considerations for funding.

8.00 EQUALITIES IMPACT

8.01 The majority of the trust funds were originally established for educational purposes including educational attainment, prize funds and bursaries. Establishment of the 'Flintshire Community Endowment Fund' will enable the liberated assets to be used for these purposes into the future.

9.00 PERSONNEL IMPLICATIONS

9.01 The transfer of these trust funds will release capacity amongst officers currently administering such funds.

10.00 CONSULTATION REQUIRED

10.01 Ongoing consultation will be undertaken by the Strategic Advisory Group to inform the future strategic direction of the Fund.

11.00 CONSULTATION UNDERTAKEN

11.01 Consultation has been undertaken with various officers and Corporate Management Team.

11.02 The Community Profile and Partnerships Overview and Scrutiny Committee and the Community Chest members' grants panel have also previously considered this issue.

12.00 APPENDICES

12.01 N/A

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

None

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