

AGENDA ITEM

3.3

CHARITABLE FUNDS COMMITTEE
**CWM TAF MORGANNWG NHS GENERAL CHARITABLE FUNDS UPDATE
AS AT 30 September 2022**

Date of meeting	10/11/2022
FOI Status	Open/Public
If closed please indicate reason	Not Applicable - Public Report
Prepared by	Owen James – Head of Corporate Finance
Presented by	Sally May – Executive Director of Finance
Approving Executive Sponsor	Executive Director of Finance
Report purpose	FOR APPROVAL

Engagement (internal/external) undertaken to date (including receipt/consideration at Committee/group)		
Committee/Group/Individuals	Date	Outcome
(Insert Name)	(DD/MM/YYYY)	Choose an item.

ACRONYMS	
UHB	University Health Board

1. SITUATION/BACKGROUND

- 1.1 To advise the Charitable Funds Committee of the activity and balances on charitable funds as at 30 September 2022. This report also provides further analysis over their use by both fund type and location.
- 1.2 An update is provided on the investment performance within this report.



- 1.3 This report provides an update from 30 June 2022 to 30 September 2022.
- 1.4 This report provides details on the contract performance against the HB's Investment Strategy as noted within section 2 of this report and the distribution of the unrealised gain in excess of the 20% of the market value of the investments.

2. SPECIFIC MATTERS FOR CONSIDERATION BY THIS MEETING (ASSESSMENT)

2.1 Balances held by the Charitable Fund

Balances held by the Charitable Fund as at 30 September 2022 are summarised in Appendix A analysed by fund type and location.

The balance at the end of September 2022 was £3.825m, which is a decrease of £66k from when last reported. There have been further donations of £76k, and £141k has been utilised.

2.2 Investment Update and Investment Strategy

The investment strategy for CTM NHS Charitable Fund is as follows:

"The charity will invest funds not required for immediate expenditure in suitable investments approved by the Audit Committee, in conjunction with guidance from its investment advisors. The aim of the investment strategy is to deliver a positive real return of at least CPI + 1% with a minimum of risk.

The level of risk inherent in the investment portfolio shall have volatility (maximum drawdown) of less than 20% over a 5 year period.*

The charity will strive to maximise income from investment dividends and interest, which will be used to fund administration costs and protect funds from inflation.

Increases in capital values will be used to build up a reserve to protect the funds from any subsequent fall in capital values, and therefore individual fund balances.



Should the reserve exceed 20% of the overall investment, any excess will be distributed to a general purpose reserve, subject to Charitable Fund Committee approval (distribution can be made to individual balances if otherwise agreed by the Charitable Fund Committee). Any falls in capital value will be taken to the general purpose reserve in the first instance, therefore protecting other individual fund balances from the impact of any falls in value.

The investment strategy will be reviewed on an annual basis, with particular regard to the level of risk and returns expected.

**maximum drawdown represents the largest drop in the value of an asset class from its peak to its lowest point over a period."*

Balances are held in two places, with investments being held in CCLA and remaining cash balances being held in the ring-fenced Barclays bank account.

As at 30 September 2022 the investment balances are as follows:

CCLA

The number of units held has remained the same at 978,820.98.

Attached in Appendix B is the performance update from CCLA from the 1 July to 30 September 2022. The market value at 30 September 2022 is £2.698m, this is a decrease of £10k since reported at the last Committee. The monetary value of the cash invested in CCLA is £2.1m as such a surplus of £0.598m (28%) has been achieved cumulatively.

There continues to be significant market volatility, with a partial recovery in the month of July and early days of August, however the more optimistic tone evaporated as world's leading banks signalled firmly there was more work to be done in fight against inflation and that monetary policy would continue to tighten.

The latest full investment report received is up to 30 September 2022, and provides commentary on the performance of the fund and future expectations of the fund. This report is not published, however, it is available to members in the document section of AdminControl.

CCLA will provide an update at the Charitable Fund Committee given the political and economic changes in recent months.

As per the investment strategy, should the reserve exceed 20% of the overall investment, any excess will be distributed to fund balances, subject to Charitable Fund Committee approval.

Barclays Bank

The current balance as at 30 September 2022 is £1.244m. As part of the new charity management arrangements an assessment will be made on the level of cash that is required over the next two to three years and what could be invested over the longer term.

3. KEY RISKS/MATTERS FOR ESCALATION TO BOARD/COMMITTEE

3.1 Excess reserves (unrealised gains) over 20%

As per the investment strategy, any gains that exceed over 20% are distributed to the general purpose reserve, unless otherwise agreed by the Charitable Fund Committee.

As at 30 September 2022 £497k of the £598k surplus has been realised, meaning £101k remains unrealised. This is below the 20% value needed to release any further gains. If the unrealised gains falls below that of the realised gains, we may need to look at ring-fencing a proportion of the general purpose reserve back to mitigate any further falls in the capital value.

Monetary value invested (£'000)	Capital value (£'000)	Surplus (£'000)	Realised Gains (£'000)	Unrealised Gains (£'000)	Gains @ 20% of monetary value (£'000)	Excess reserves (£'000)
2,100	2,698	598	497	101	420	N/A

4. IMPACT ASSESSMENT

Quality/Safety/Patient Experience implications	There are no specific quality and safety implications related to the activity outlined in this report.
	Governance, Leadership and Accountability



Related Health and Care standard(s)	If more than one Healthcare Standard applies please list below:
Equality Impact Assessment (EIA) completed - Please note EIAs are required for <u>all</u> new, changed or withdrawn policies and services.	No (Include further detail below)
	No change or withdrawal of policy or services.
Legal implications / impact	Yes (Include further detail below)
	Charitable funds are required to be managed in accordance with charity legislation and requirements of the Charity Commissioner.
Resource (Capital/Revenue £/Workforce) implications / Impact	Yes (Include further detail below)
	To advise the Charitable Funds Committee of the activity and balances on charitable funds as at 30 June 2022.
Link to Strategic Goal	Improving Care

5. RECOMMENDATION

5.1 The Charitable Funds Committee are requested to:

- **NOTE** the current balances and investment performance of Cwm Taf Morgannwg NHS General Charitable Funds.
- **APPROVE** that there is no further distribution of excess reserves at this stage. Noting the drop in capital value since last reported.