



**AGENDA ITEM**

**3.2.2**

**CHARITABLE FUNDS COMMITTEE**

**CWM TAF MORGANNWG NHS GENERAL CHARITABLE FUNDS UPDATE  
AS AT 28 FEBRUARY 2022.**

|   |  |
|---|--|
| <b>Date of meeting</b>                  | 07/04/2022                             |
| <b>FOI Status</b>                       | Open/Public                            |
| <b>If closed please indicate reason</b> | Not Applicable - Public Report         |
| <b>Prepared by</b>                      | Owen James – Head of Corporate Finance |
| <b>Presented by</b>                     | Sally May – Director of Finance (TBC)  |
| <b>Approving Executive Sponsor</b>      | Executive Director of Finance          |
| <b>Report purpose</b>                   | FOR APPROVAL                           |

**Engagement (internal/external) undertaken to date (including receipt/consideration at Committee/group)**

| <b>Committee/Group/Individuals</b> | <b>Date</b>  | <b>Outcome</b>  |
|------------------------------------|--------------|-----------------|
| (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 28 February 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 and a detailed update will be provided by CCLA at the meeting.
- 1.3 The previous update to the Charitable Fund Committee was provided in August 2021, which gave an update to 30 June 2021, this report provides an update from 30 June 2021 to 28 February 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 28 February 2022 are summarised in Appendix A analysed by fund type and location.

The balance at the end of February 2022 was £4.002m, which includes the distribution of £0.497m of realised investment gains which was approved at the last Charitable Funds Committee.

The value of donations has continued to increase significantly since last reported to the Committee, with a further £0.474m of donations since 30 June 2021.

We will engage with the organisation on how this funding can be best utilised in line with the objectives of the Charity.

### **2.2 Investment Update and Investment Strategy**

Following the August Charitable Fund Committee, the investment strategy for CTM NHS Charitable Fund has been updated 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 28 February 2022 the investment balances are as follows:

#### CCLA

The latest available figures received at the time of preparing this report were to the end of December 2021. CCLA will be providing an update on the investment position at the meeting.

At the previous Charitable Funds Committee it was agreed to invest a further £600k into the CCLA COIF Charities Ethical Investment Fund. We invested over 2 tranches of £300k each at an average price

per unit of 306.9p. This means the number of units held has increased from 783,307.83 to 978,820.98 since last reported.

The market value at 31 December 2021 is £3.063m. The monetary value of the cash invested in CCLA is £2.1m as such a surplus of £0.963m (46%) has been achieved cumulatively.

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.

At the last Charitable Fund Committee it was agreed that £497k excess over 20% at the time would be released to a general purpose fund and enablement fund, and this is shown in the increase in the fund balances between June and present shown in Appendix A.

### Barclays Bank

As reported above £600k was invested in CCLA reducing the value held in bank. However, due to further income received recently, the balance remains relatively high at £1.456m.

An assessment will take place on the anticipated requirement of cash over the next two to three years, and for the remaining amount we will discuss with our investment advisors ways to invest in line with our investment strategy.

## **2.3 Audit and submission of the 2020/21 Annual Report & Accounts**

Due to the increase in Covid cases due to the Omicron cases in the winter, the Charitable Funds Committee was stood down temporarily. This coincided with the date that the Annual report & accounts were due to be approved for submission by 31 January 2022.

As an update to the Committee, we can confirm that the Annual report & accounts were given an unqualified audit opinion by Audit Wales and were subsequently approved by the Board prior to being submitted to the Charity Commission within the 31 January deadline.

The final annual report & accounts are attached at Appendix B for your information.

We would like to thank the finance team and Audit Wales for their work in pulling together the accounts and successful audit.

### 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 31 December 2022 £497k of the £963k surplus has been realised, meaning £466k remains unrealised. From the table below, the remaining unrealised gain over 20% is £123k. As a large amount has already been realised in this financial year, it is proposed this is not distributed at this stage and will be reviewed again in 2022/23.

| <b>Monetary value invested (£'000)</b> | <b>Capital value (£'000)</b> | <b>Surplus (£'000)</b> | <b>Realised Gains (£'000)</b> | <b>Unrealised Gains (£'000)</b> | <b>Gains @ 20% of monetary value (£'000)</b> | <b>Excess reserves (£'000)</b> |
|--|------------------------------|------------------------|-------------------------------|---------------------------------|--|--------------------------------|
| 2,100                                  | 3,063                        | 963                    | 420                           | 543                             | 420  | 123                            |

### 4. IMPACT ASSESSMENT

|   |  |
|---|--|
| <b>Quality/Safety/Patient Experience implications</b>   | There are no specific quality and safety implications related to the activity outlined in this report.   |
| <b>Related Health and Care standard(s)</b>  | Governance, Leadership and Accountability<br>If more than one Healthcare Standard applies please list below:   |
| <b>Equality Impact Assessment (EIA) completed - Please note EIAs are required for <u>all</u> new, changed or withdrawn policies and services.</b> | No (Include further detail below)<br><br>Not required.   |
| <b>Legal implications / impact</b>  | Yes (Include further detail below)<br>Charitable funds are required to be managed in accordance with charity legislation and requirements of the Charity Commissioner. |
| <b>Resource (Capital/Revenue £/Workforce) implications / Impact</b>   | Yes (Include further detail below)<br>To advise the Charitable Funds Committee of the activity and balances on charitable funds as at 28 February 2022.                |



## 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.
- **NOTE** the submission of the annual report & accounts within the statutory deadlines.
- **APPROVE** that there is no further distribution of excess reserves at this stage.