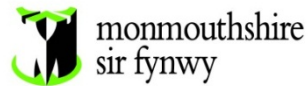


# Public Document Pack



County Hall  
Rhadyr  
Usk  
NP15 1GA

Tuesday, 17 July 2018

## Notice of meeting

### Monmouthshire Farm School Endowment Trust

Monday, 23rd July, 2018 at 11.00 am,  
Conference Room, County Hall, Usk

#### AGENDA

Item No	Item	Pages
1.	Apologies for absence	
2.	Declarations of Interest	
3.	To confirm and sign the minutes of the previous meeting of the Monmouthshire Farm School Endowment Trust	1 - 2
4.	Approval of the 2017-18 accounts to be passed to audit.	3 - 14
5.	Approval of investment fund strategy for 2018-19	15 - 26
6.	Approval of risk policy for 2018-19	27 - 30
7.	To consider whether to exclude the press and public from the meeting during consideration of the following item of business in accordance with Section 100A of the Local Government Act 1972, as amended, on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 12 and 14 of Part 4 of Schedule 12A to the Act. (Proper Officer's view attached).	31 - 32
8.	To consider a report by the Chief Officer for Children and Young People regarding applications received against the Trust Fund for the Academic Year 2016/17	33 - 40
9.	Date and time of the next meeting	

Paul Matthews

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**Chief Executive / Prif Weithredwr**

MONMOUTHSHIRE COUNTY COUNCIL  
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

A. Easson  
R. Edwards  
D. Jones  
S.B. Jones  
P. Murphy  
B. Thomas  
J.D. Hayes  
D. Havard  
W. Symondson  
D. Yeowell  
K. Backhouse  
M. Feakins

## Public Information

### **Access to paper copies of agendas and reports**

A copy of this agenda and relevant reports can be made available to members of the public attending a meeting by requesting a copy from Democratic Services on 01633 644219. Please note that we must receive 24 hours notice prior to the meeting in order to provide you with a hard copy of this agenda.

### **Welsh Language**

The Council welcomes contributions from members of the public through the medium of Welsh or English. We respectfully ask that you provide us with adequate notice to accommodate your needs.

# Aims and Values of Monmouthshire County Council

## Our purpose

Building Sustainable and Resilient Communities

### Objectives we are working towards

- Giving people the best possible start in life
- A thriving and connected county
- Maximise the Potential of the natural and built environment
- Lifelong well-being
- A future focused council

## Our Values

**Openness.** We are open and honest. People have the chance to get involved in decisions that affect them, tell us what matters and do things for themselves/their communities. If we cannot do something to help, we'll say so; if it will take a while to get the answer we'll explain why; if we can't answer immediately we'll try to connect you to the people who can help – building trust and engagement is a key foundation.

**Fairness.** We provide fair chances, to help people and communities thrive. If something does not seem fair, we will listen and help explain why. We will always try to treat everyone fairly and consistently. We cannot always make everyone happy, but will commit to listening and explaining why we did what we did.

**Flexibility.** We will continue to change and be flexible to enable delivery of the most effective and efficient services. This means a genuine commitment to working with everyone to embrace new ways of working.

**Teamwork.** We will work with you and our partners to support and inspire everyone to get involved so we can achieve great things together. We don't see ourselves as the 'fixers' or problem-solvers, but we will make the best of the ideas, assets and resources available to make sure we do the things that most positively impact our people and places.



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# Public Document Pack Agenda Item 3

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Monmouthshire Farm School Endowment Trust held at Room P3 - County Hall, The Rhadyr, Usk, NP15 1GA on Monday, 23rd April, 2018 at 11.00 am

**PRESENT:** County Councillors: A. Easson, D. Jones and M. Feakins

### **OFFICERS IN ATTENDANCE:**

Nikki Wellington	Finance Manager
Andrew Evans	Senior Management Accountant
Nicola Perry	Senior Democracy Officer
Robert Tranter	Head of Legal Services & Monitoring Officer

### **APOLOGIES:**

Councillors R. Edwards

#### **1. Declarations of Interest**

None

#### **2. To consider whether to exclude the press and public from the meeting during consideration of the following items of business in accordance with Section 100A of the Local Government Act 1972, as amended, on the grounds that it involves the information as defined in Paragraphs 13 and 14 of Part 4 of Schedule 12A to the Act (Proper Officer's view attached)**

The Trust agreed to exclude press and public from the meeting for discussion of the following item.

#### **3. To discuss the proposal from the Trustees of the Roger Edwards Education Trust regarding the distribution of income.**

At the previous meeting it had been agreed that three members would meet with the Roger Edwards Educational Trust to discuss recent proposals around funding.

This meeting had been arranged to update trustees on the outcome of that meeting and to agree recommendations.

Following discussion the Trust resolved to contact the Charity Commission with their proposals which would then be discussed at a meeting with Roger Edwards Educational Trust.

The resolution will be confirmed at the next meeting of Mon Farm School Endowment Trust.

**The meeting ended at Time Not Specified**

**MONMOUTHSHIRE COUNTY COUNCIL**

**Minutes of the meeting of Monmouthshire Farm School Endowment Trust held  
at Room P3 - County Hall, The Rhadyr, Usk, NP15 1GA on Monday, 23rd April, 2018 at  
11.00 am**



**Monmouthshire Farm School Endowment  
Trust Fund**

**Annual report  
for the year ended 31 March 2018**

-Registered Charity Number: 525649

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2018**

**Contents**

Trustees, officers and advisors	1
Report of the Trustee	2
Independent examiners report	4
Statement of financial activities	5
Balance sheet	6
Notes to the financial statements	7

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2018**

**Trustees, officers and advisors**

**Trustees**

D L Edwards  
Monmouthshire County Council

D Yeowell  
Torfaen County Borough Council

R Edwards  
Monmouthshire County Council

Professor J D Hayes  
University College Wales Aberystwth

R J W Greenland  
Monmouthshire County Council

K Backhouse  
Director Usk Campus – Coleg Gwent

S B Jones  
Monmouthshire County Council

D Havard  
Caerphilly County Borough Council

A Easson  
Monmouthshire County Council

D.W.H Jones  
Monmouthshire County Council

R Pagett  
Blaenau Gwent County Borough Council

Dr W O C Symondson  
University of Wales College Cardiff

**Secretary**

R. Tranter – Monitoring Officer, Monmouthshire County Council

**Registered Office**

County Hall, The Rhadyr, Usk, NP15 1GA

**Auditors**

Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ

**Solicitors**

R Tranter, Head of Legal Services, Monmouthshire County Council

**Investment custodian**

Monmouthshire County Council

**Bankers**

Barclays Bank, Leicester, Leicestershire LE87 2BB

## **Monmouthshire Farm School Endowment Trust Fund Annual report for year ended 31st March 2018**

### **Report of the Trustee for the year ended 31st March 2018**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2018 of The Monmouthshire Farm School Endowment Trust Fund. The information with respect to the Trustee, officers and advisors set out on page 1 forms part of this report. The accounts (financial statements) have been prepared in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic (FRS 102) and Charity Act 2011. The financial statements comply with the Charity's trust deed.

#### **Status and administration**

The Charity is governed by the 1959 Principal Scheme as amended by the Altering Scheme of 1971, although the governing body may rightly claim a history stretching back to 1894. The Fund is registered with the Charity Commission under charity number 525649.

#### **Objects**

The primary object of the Charity, as stated in its governing document, is to make awards to students in need of assistance to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects. The governing body can use its discretion to apply any unawarded income to provide funding towards the cost of their facilities or amenities at Usk College which would benefit these students. The grant awarded have allowed the beneficiaries to pursue land based courses to enhance career opportunities. The area of benefit is clearly defined, household income is a consideration when making the award. Grants were awarded to 12 people and the total awards were £27,514.

#### **Review of activities and future developments**

The statement of financial activities for the year is set out on page 5 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has decrease in value by £2,846 (£20,372 increase in 2016/17) over the financial year as a result of outgoing resources being outweighed by incoming resources.

Income is comprised of interest on investment stock and cash held of £28,072 (£24,816 in 2016/17), and £14,903 (£19,701 in 2016/17) in respect of the annual payment from the Roger Edwards Educational Trust Fund. Expenditure of £29,595 (£29,989 in 2016/17) primarily comprised of grants payable of £27,514 (£26,209 in 2016/17) in line with the Charity's objects. Unrealised investment loss of £16,226 (£5,844 gain in 2016/17) were made in relation to investments held.

The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries.

#### **Investment powers, policy and performance**

Under the terms of the Trust Deed, the Trustee have general powers of investment, subject to the provisions of the Trustee Act 2000. The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2017/18 which was approved by Monmouthshire County Council in its capacity as Trust administrator on 1st March 17. Investments are strategically placed in low-risk investments. Investment performance is reviewed periodically in light of prevailing economic changes.

#### **Grant making policy**

Grants are made in pursuance of the Charity's objectives in assisting students in need to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects.

#### **Changes in fixed assets**

The movements in fixed asset investments during the year are set out in note 7 to the financial statements.

## **Monmouthshire Farm School Endowment Trust Fund Annual report for year ended 31st March 2018**

### **Reserves**

The Fund consists primarily of the sale proceeds of the Former Monmouthshire Farm School by the governing body of the school to Monmouthshire County Council. The fund receives an annual payment from The Roger Edwards Educational Trust (Charity Number 525638) equivalent to two thirds of the annual investment and rental income accrued to the Foundation.

The Trust has reviewed its fund strategy and produced an investment and fund strategy for 2017-18 which states that it is the Trust's policy to maintain funds at approximately the current level and utilise the annual income received to fund its charitable expenditure. This was approved by Cabinet on the 1st March 2017.

### **Governance of the Charity**

Representative Trustees appointed by Monmouthshire County Council have a term of office equivalent to the term of a County Council (four years); the other representative Trustees have a term of office of three years and the co-operative Trustees have a term of office of five years. The Trustees are listed on page 1.

### **Risk management**

Monmouthshire County Council as appointed administrator of the Trust Fund periodically review the major risks to which the Charity is exposed as part of the Authority's overall risk management and financial control processes. The Roger Edwards Educational Trust provide significant income to this trust and forms the majority of income that can be used for grants. This income is received after the audited accounts have been agreed and therefore this is usually late in the financial year. A risk assessment policy was approved by Cabinet on 1<sup>st</sup> March 2017.

### **Auditors**

The Wales Audit Office are the appointed auditors to the Charity.

### **Trustees responsibilities**

The Trustees are required by charity law to 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 net incoming/outgoing resources of the Charity as at the end of the financial year.

The Trustee confirms that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st March 2018. The Trustee also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Trustee 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 Act 1993. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **By order of the Trustee**

Trustee:

Date:

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2018**

**Report of the independent examiner to the trustee of  
Monmouthshire Farm Endowment Trust Fund**

I report on the accounts of Monmouthshire Farm School Endowment Trust Fund for the year ended 31<sup>st</sup> March 2018, which are set out on pages 5 to 10.

**Responsibilities and basis of report**

As the charity's trustees, you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 (the Act). You are satisfied that the accounts are not required to be audited by charity law and have chosen instead to have an independent examination.

I report in respect of my examination of your charity's accounts as carried out under section 145 of the Act; In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5) (b) of the Act.

An independent examination does not involve gathering all the evidence that would be required in an audit and consequently does not cover all the matters that an auditor considers in giving their opinion on the accounts. The planning and conduct of an audit goes beyond the limited assurance that an independent examination can provide. Consequently I express no opinion as to whether the accounts present a 'true and fair' view and my report is limited to those specific matters set out in the independent examiner's statement.

**Independent examiner's statement**

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

- accounting records were not kept as required by section 130 of the Act; or
- the accounts do not accord with those records; or
- the accounts do not comply with the applicable requirements concerning the form and content set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination; or
- the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Ann-Marie Harkin  
On behalf of the Auditor General for Wales  
Date:

24 Cathedral Road  
Cardiff CF11 9LJ

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2018**

**Statement of financial activities (Sofa) for the year ended 31st March 2018**

	Notes	2018 Unrestricted Funds £	2017 Unrestricted Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	28,072	24,816
Other incoming resources (REET)		14,903	19,701
<b>Total income &amp; Endowments</b>		<b>42,975</b>	<b>44,517</b>
<b>Resources Expended</b>			
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Expenditure on charitable activities	3	27,514	26,209
Other expenditure	3 & 4	2,081	3,780
<b>Total Resources expended</b>		<b>29,595</b>	<b>29,989</b>
Gains/(losses) on investment assets	5	(16,226)	5,844
<b>Net Income / (Expenditure)</b>		<b>(2,846)</b>	<b>20,372</b>
<b>Net movement in funds</b>			
Fund balances brought forward 1 April 2017		<b>725,304</b>	704,932
<b>Fund balances carried forward 31 March 2018</b>		<b>722,458</b>	<b>725,304</b>

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2018**

**Balance Sheet as at 31 March 2018**

	Notes	2018 Unrestricted Funds £	2017 Unrestricted Funds £
<b>Fixed assets</b>			
Investments	7	<b>641,570</b>	617,796
		<b>641,570</b>	617,796
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	<b>21,331</b>	25,305
Cash at bank and in hand		<b>61,825</b>	87,969
		<b>83,156</b>	113,274
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	9	<b>2,270</b>	5,766
<b>Net current assets</b>		<b>80,888</b>	107,508
<b>Net assets</b>		<b>722,458</b>	725,304
<b>The Funds of the Charity:</b>			
Unrestricted Funds	10	<b>722,458</b>	725,304
<b>Total Charity funds</b>		<b>722,458</b>	725,304

The accounts were approved by the Trustee on 9<sup>th</sup> July 2018 and signed on their behalf by:

Trustee:

Date:



**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2018**

**Notes to the financial statements for the year ended 31<sup>st</sup> March  
2018**

**1 Principal accounting policies**

**Basis of accounting**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic (FRS 102) and Charity Act 2011.

The trust constitutes a public benefit entity as defined by FRS 102. The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

**Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

**Incoming Resources**

All income received is accounted for on a receivable basis and has been classified under the appropriate categories. The income received from the Roger Edwards Educational Trust is an estimation of income based on historical data, the actual income relating to 2017-18 has not been received at the time of this report, and therefore any adjustment will be made in the accounts for 2018-19.

During the year, the Roger Edwards Education Trust requested a review of the income distribution. The outcome of this request is still being negotiated.

**Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustee and accepted by the beneficiaries.

**Management and administration**

Monmouthshire County Council administer the Trust Fund on behalf of the Trustee. Management and administration costs include expenditure on administration of the Charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of support service recharges and overhead apportionments. The basis of the apportionment is a fixed fee agreed with the trustees of £200 per year.

**Debtors/ Creditors**

Where revenue 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

**Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2018**

**Fund accounting**

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity. Investment income and gains are allocated to the appropriate fund.

**Investments**

Investments are included at market value at the balance sheet date. Any realised and unrealised gains and losses on revaluation or disposals are combined in the statement of financial activities.

**Transition to FRS 102**

The opening fund position at the date of transition have not been restated and no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 April 2016.

**Cash flow statement**

The charity has taken exemption from preparing a cash flow under Charities SORP FRS 102 Update Bulletin 1.

**2 Investment income**

	2018	2017
	£	£
Interest on cash balances	449	0
Interest on Investments	27,623	24,816
	<b>28,072</b>	<b>24,816</b>

**3 Expenditure on Charitable Activities**

	2018	2017
	£	£
Grants payable	27,514	26,209
Management & administration	2,081	3,780
	<b>29,595</b>	<b>29,989</b>

Grants payable comprise numerous payments to individual students in respect of part-time courses attended. It is not possible to provide further details due to restrictions of confidentiality.

**4 Governance Costs**

	2018	2017
	£	£
Net incoming resources is stated after charging:		
Auditor's remuneration	2,270	2,560
	<b>2,270</b>	<b>2,560</b>

No indemnity insurance for Trustee's liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2018**

Councils' fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made. Governance costs have increased during the year as a result of the Public Audit Wales Act and in particular the duty placed on the Wales Audit Office to ensure full cost recovery in its audit fees. The audit fee is included in the management and administration spend as per note 3.

**5 Gains and losses on revaluation and disposal of investment assets**

	Market Value ditions		Market Value	Gain/(Loss)
	2017	(Disposals)	2018	
	£	£	£	£
Charibond	205,761	40,000	234,983	(10,777)
OEIC	192,858	0	184,735	(8,123)
COIF	219,177	0	221,852	2,674
<b>Total</b>	<b>617,796</b>	<b>0</b>	<b>641,570</b>	<b>(16,226)</b>

**6 Taxation**

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity falls with Monmouthshire County Council regulations for VAT, and therefore any liability is accounted for within Monmouthshire County Council.

**7 Fixed asset investments**

	Total
	£
Valuation at 1 April 2017	<b>617,796</b>
Net revaluation (loss) / gain	<b>23,774</b>
<b>Valuation at 31 March 2018</b>	<b>641,570</b>

Fixed asset investments solely consist of the quoted investments. All investments are stated at their market value at 31st March 2018. The historical cost of the investments at 31st March 2018 was £679,000. All of the Charity's investments are quoted in the UK. The details of these are disclosed in the table below, being Charibond, COIF and OEIC Fund.

Investments with a market value greater than 5% of the total portfolio market value at 31st March 2017 are as follows:

	£	%
COIF	221,852	34.5%
Charibond	234,983	36.6%
OEIC Fund	184,735	28.9%

The percentage shown above is the percentage of the total portfolio market value as at 31<sup>st</sup> March 2018.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2018**

**8 Debtors**

	2018	2017
	£	£
<b>Amounts falling due within one year</b>		
Receivable from The Roger Edwards Educational Trust Fund	20,000	25,000
HM Revenue and Customs	1,331	305
	<u>21,331</u>	<u>25,305</u>

The majority of the debt relates to the payment from the Roger Edwards Educational Trust. This is an estimate of the income based on historical payments.

**9 Creditors**

	2018	2017
	£	£
<b>Amounts falling due within one year</b>		
Accruals and deferred income	<u>2,270</u>	5,766
	<u>2,270</u>	<u>5,766</u>

The amounts owed relate to audit fees and payments to Monmouthshire County Council to administer the trust.

**10 Unrestricted Funds**

	Balance 1 April 2017	Incoming resources	Resources Expended	Investment Gain/(Loss)	<b>Balance 31 March 2018</b>
	£	£	£	£	£
Permanent endowed funds	725,304	42,975	29,595	(16,226)	<u>722,458</u>

**11 Related party transactions**

No remuneration directly or indirectly out of the funds of the Charity was paid or payable for the year to any trustee. Payments have been made to Monmouthshire County Council respect of management and administration expenses.

1.

## **The Investment & Fund Strategy for the Monmouthshire Farm Endowment Trust 2018/19**

### **1. Background**

- 1.1 The Trustees shall each year consider for approval an annual Investment Strategy. The Trustees may also request submission of a longer term investment strategy for approval. Any proposed in-year modification to the Investment Strategy must be approved by the Trustees.
- 1.2 This investment strategy has been prepared with the assistance of Arlingclose, the current treasury advisor to both the Monmouthshire Farm Endowment Trust and also Monmouthshire County Council.
- 1.3 The Trustees have agreed to a continued relationship with a Treasury advisor to provide expert advice on the continued suitability of a variety of investment vehicles for inclusion in its portfolio. This will carry a small charge.

### **Interest Rate Forecast**

- 2.1 Arlingclose's forecast is for the UK Bank Rate to remain flat at .05% with a chance of increasing further by 0.25% in late 2018. Risks remain slightly weighted to the upside.
- 2.2 The economic and interest rate forecast at Appendix 6 is provided by Monmouthshire County Council's current treasury management advisor. The Authority, in its position as trustee, will reappraise its strategies from time to time in response to evolving economic, political and financial events.
- 2.3 With short term interest rates still low, an investment strategy historically would have typically resulted in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk for investments of that duration and also an acceptable return.
- 2.4 The Monmouthshire Farm Endowment Trust, by means of this Investment strategy is permitted to utilise suitable Collective Investment Schemes/Pooled Funds, which enable the Authority to diversify the assets and thereby reduce the underlying risk in the investment portfolio and at the same time providing the potential for enhanced returns.

### 3. Annual Investment and Fund Strategy

- 3.1 The Trustees shall invest Monmouthshire Farm Endowment Trust monies in accordance with Section 15 of the Scheme made by the County Council of Monmouthshire.
- 3.2 Day to day activities required to implement this shall be delegated to the S151 Officer and the Treasury team of Monmouthshire County Council. This can include a change to investment vehicle providing it still lies within the scope of this Investment strategy and is approved by the current Treasury Management advisors.
- 3.3 In accordance with best practice, the Monmouthshire Farm Endowment Trust must consider the three objectives of security, liquidity and yield in relation to the investment of its funds when making any investment. Maintaining a high level of security of investment ensures the long term income generating capacity of the fund. The liquidity or accessibility of a portion of the investments ensures in the short term expenses of the fund can be met.
- 3.4 The Overall Fund Strategy of the Monmouthshire Farm Endowment Trust Fund is to generate investment returns which after meeting the expenses of managing the Fund, can be distributed to selected beneficiaries. The investment strategy is therefore to maximise returns commensurate with appropriate levels of security and liquidity. Investments in Collective Investment Funds are likely to result in fluctuations in principal. It is acceptable to allow this, if having taken appropriate advice; they are expected to be temporary in nature, in order to improve total returns over a 3-5 year business cycle.
- 3.5 At 31<sup>st</sup> March 2017, the Monmouthshire Farm Endowment Trust had £617,796 of investments and £87,969 of cash.
- 3.6 Investments can be taken out by the Fund without specific reference to the Treasury Advisors at the time providing they are sterling denominated investments with a maximum maturity of one year and also meet the “high credit quality” criteria determined by the Trustees and set out in paragraph 3.9 and are not deemed capital expenditure investments under Statute.
- 3.7 Investments which do not meet the strict definition below of high credit quality and which have a longer term Investment horizon can be made but only after consulting with the Monmouthshire Farm Endowment Trust Fund treasury advisors and the Head of Finance (S151 Officer) at Monmouthshire County Council, who represents the Trustees, to ensure the level of risk is in line with the Monmouthshire Farm Endowment Trust Fund’s other current investment options.
- 3.8 The types of investments that are permitted to be used by the Monmouthshire Farm Endowment Trust are as follows:

**Table 2: Investments**

<b>Investment</b>	
Term deposits or Cash Deposits with banks and building societies	✓
Gilts, Treasury-bills or the UK Debt Management Office	✓
Collective Investment Schemes	✓
Pooled funds with Monmouthshire County Council	✓

3.9 The Trustees and its advisors select countries and financial institutions after analysis and ongoing monitoring of:

- Published credit ratings for financial institutions (counterparties):
  - Investments are classed as having high credit quality if the lowest credit rating they have with Fitch, Moody's and Standard & Poors' is A-, A3 and A- or higher.
  - And a country rating of AA+ or equivalent for non-UK sovereigns
- Credit Default Swaps (where quoted)
- Sovereign Support mechanisms
- Economic fundamentals (for example Net Debt as a percentage of GDP) and Economic trends
- Sovereign support mechanisms
- Share Prices
- Corporate developments, news, articles, markets sentiment and momentum
- Historical performance and expected future trends of Collective Investment Funds
- Subjective overlay – or, put more simply, common sense.

Any institution can be suspended or removed should any of the factors identified above give rise to concern. The Monmouthshire Farm Endowment Trust fund will not enter into any investment if it is outside the advice given by its Treasury advisors which is updated monthly, weekly and daily according to the movements in the worldwide backdrop. This includes guidance on the maximum maturity of investments with approved counterparties.

3.10 New Investments made directly by the Monmouthshire Farm Endowment Trust Fund will be restricted in the following ways to ensure diversification and hence reduction of both credit risk and interest rate risk.

- A minimum of £40,000 (at the time of investment) needs to be held in investments which are sufficiently liquid such as cash or other investments less than one year so that grants can still be made if investment returns are low or to allow for the lead time for realising certain investments. The full remaining balance can be invested in Collective Investment funds to maximise returns if this is in line with the requirements of this strategy.
- The maximum amount which can be invested directly by the Monmouthshire Farms Endowment Trust Fund [MFETF] in any one Collective Investment Fund (at the time of investment) is 45% of the total MFETF investment balance.

The amount invested should be spread across different asset classes such as Property, Bonds and Equity to diversify and reduce overall risk. This spread should be viewed collectively with the funds invested by the Roger Edwards Educational Trust [REET] and from which the MFETF benefits (£650,000 purchase price). As the REET Investments are weighted towards Equity it is not possible to achieve an equal split across asset classes but a level of between 20% and 45% for at least three asset classes should be aimed for. Appendix A includes the model portfolio which was used as a basis for the investments which have been undertaken.

- Up to 100% of the total investment balance can be held with Monmouthshire County Council or Instruments issued by the UK Government, if required
- Up to 100% of the total investment balance can be invested as term deposits, CDs or call accounts with banks and building societies. The maximum amount which can be invested with any one financial institution is £100,000 if of high credit quality (approx 15% of the total MFETF investment balance) or £50,000 if approved by the Treasury advisors although not considered high credit quality.
- The maximum duration of term deposits and CDs with banks and building societies shall be in line with the ongoing advice given by the Trust's treasury advisors which varies with world economic factors.

3.11 At the end of each financial year the Trustees shall consider the actual return on investments & the extent to which the investment objectives have been achieved.

3.12 The Trustees shall observe the following constraints in pursuing the investment objectives:



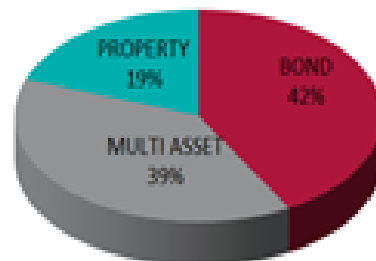
- The restrictions on investments contained within Section 15 of the scheme made by Monmouthshire County Council.
- A proportion of the funds held may be pooled with Monmouthshire County Council's overall investment portfolio, which is invested in line with the Authority's Treasury Management Strategy. Interest earned by the Authority and any investment losses incurred by the Authority will be apportioned proportionally between the Local Authority and Monmouthshire Farm Endowment Trust in line with the total investments held by each party.

*NB: Any investments which move outside of the above criteria with time will be reinvested within the above criteria on maturity.*

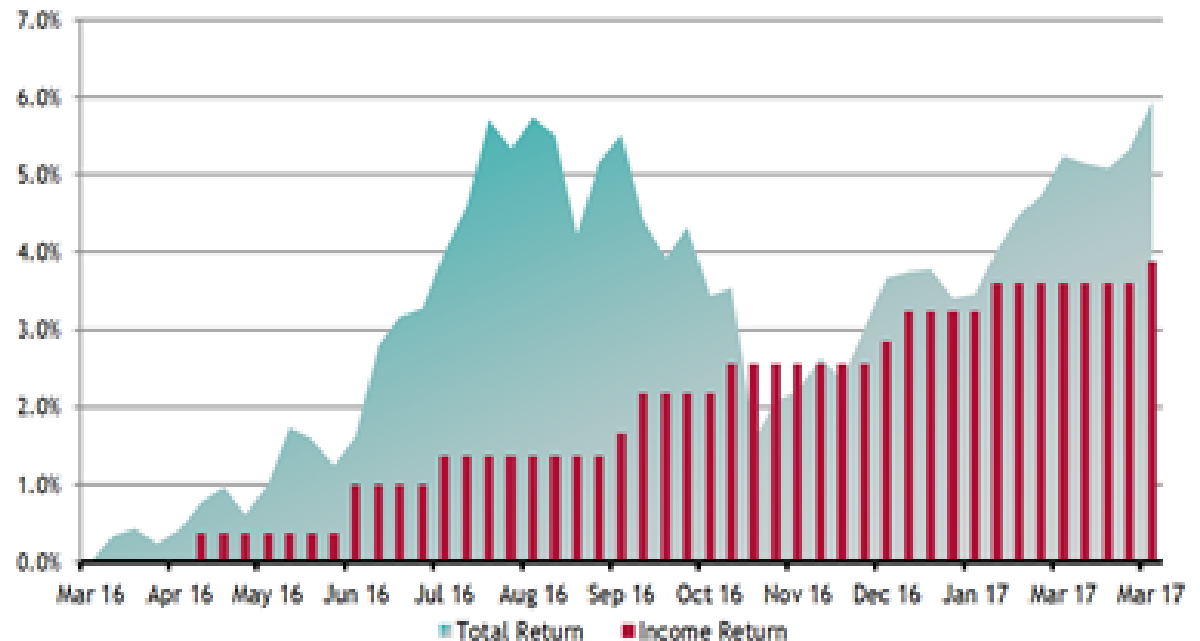
- 3.13 There are currently no ethical constraints on investment of funds and this matter will be reviewed if there are any changes in charity law or other requirements.
- 3.14 There is now more than 12 months' history to Monmouthshire Farms Trust's pooled fund holding. In capital terms, it should be remembered that the emphasis of the investment in the selected funds is based on a long-term strategy of a five-year rolling basis
- 3.15 The values and performance of the investments reported in the latest available Arlingclose report are as follows;

FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility
CCLA - COIF PROPERTY FUND	PROPERTY	86,044	95,844	-2,762	5,507	1.0	-2.80%	5.58%	2.78%	4.4%
M&G CHARIBOND FUND	BOND	158,802	205,760	5,955	7,305	1.0	2.98%	3.66%	6.64%	6.8%
UBS MULTI ASSET INCOME FUND	MULTI ASSET	377,858	190,780	4,761	8,048	1.0	2.56%	4.33%	6.89%	3.6%
<b>GRAND TOTAL</b>			<b>492,384</b>	<b>7,954</b>	<b>20,860</b>	<b>1.0</b>	<b>1.64%</b>	<b>4.31%</b>	<b>5.95%</b>	<b>3.9%</b>
Annualised Returns:							<b>1.64%</b>	<b>4.31%</b>	<b>5.95%</b>	

Asset Class Allocation



Cumulative Return on External Funds



Please note the data above reflects the performance of the funds since inception as the funds were purchased on 26<sup>th</sup> January 2015.

#### **4. Training**

- 4.1 The Head of Finance (S151 Officer) will ensure all staff are suitable trained to assist with this process and will organise awareness training to Trustees, Cabinet and Audit Committee where appropriate.

#### **5. Investment Consultants/ Treasury Advisors**

- 5.1 The Monmouthshire Farm Endowment Trustees use Arlingclose as their Treasury Management Consultants to provide information, advice and training relating to investments. Information relating to investments is provided from publicly available data and is summarised in order to assist with decision making within the Authority. The information and advice covers the level of risk of investment and the variety of options available.

## Monmouthshire Farm Endowment Trust – Risk Assessment Policy 2018/19

The financial assistance provided by the Monmouthshire Farm Endowment Trust is to support the advancement of education in agriculture and related subjects at college. Annually, monies are distributed and the key risk faced by the Monmouthshire Farm Endowment Trust is loss or reduction in the amount of monies available.

An assessment of the risks faced by the Monmouthshire Farm Endowment Trust has been undertaken and steps taken to:

- avoid risks through alternative strategies
- limit and reduce risks by improving controls
- insure against specified risks

On an annual basis the risk assessment will be reviewed and updated to include any new risks identified.

The risks identified have been encompassed within 4 categories:

- Page 22
- governance & management
  - operational risks
  - financial risks
  - compliance risk

Monmouthshire County Council as custodian and administrator of the Monmouthshire Farm Endowment Trust manage the fund on the Trustees behalf through the Cabinet and make all risk and investment decisions in a unified risk policy as advised by the Authority's investment and risk advisors.

The following paragraphs list the risks identified & the steps taken to mitigate or eliminate the risk.

### **1. Governance & Management**

#### **(a) The fund lacks direction?**

The activities of the Fund are governed by the guidance in Section 4 of the Charity Act 2000.

The Cabinet has a clear purpose to maximise the return on its investments and this is contained within the investment policy.

#### **(b) There are conflicts of interest?**

Cabinet members are elected in accordance with the electoral cycle and are required to conduct themselves in-line with the Authority's Code of Conduct.

Members are required to declare any interests related to the activities of the Trust and may not vote on these decisions. These matters are recorded in the official minutes.

Members allowance and expense payments are not charged to the Monmouthshire Farm Endowment Fund.

**(c) Funds are used inappropriately?**

The purpose for which funds can be used is contained within the objectives of the trust.

**(d) Key staff, leave the Council's employment?**

The actions of Officers of the Council are determined by Delegated Powers.

A number of senior Council staff support and advise the Trustees on legal & financial matters.

**(e) Inadequate information is provided to the Trustees?**

Annually, the Trustees consider the level of reserves and anticipated investment income before determining the level of grants to be made available.

Variances between the anticipated & actual investment income will be reflected in the following year's grants.

**2. Operational Risks**

**(a) Unsuitable staff support and advise Cabinet?**

Monmouthshire County Council has a comprehensive recruitment process which is supported by a wide range of personnel policies.

The training & development needs of officers are identified through the Employee Review process.

A number of senior Council staff support and advise Cabinet on financial and legal matters.

**(b) Systems & procedures are not secure?**

Systems & procedures are documented & document retention policies are in place. IT systems have data back-up arrangements & disaster recovery plans. Periodic audits identify internal control improvement requirements. Insurance provides a means to recover from specified losses.

**(c) Stakeholders are not satisfied with the operation of the Fund?**

The Scheme made by the Trustees provides for the advancement of education in agriculture and related subjects at college.

The Trustees consider annual reports on the financial performance of the Trust.

The Trustees consider annually the level of funding available for grants.

**(d) The assets of the Fund are at risk?**

In accordance with the investment policy a number of constraints are placed upon the way in which monies are used.

Risk minimization strategy has been adopted which limits the investment of funds to individual institutions meeting specified criteria.

**(e) Unsatisfactory returns on investment are achieved?**

The reserves policy requires monies be invested in financial instruments which produce interest payments and there is no appreciation in the capital value of the investment.

The overall aim is to obtain a satisfactory rate of return enabling Trustees to distribute an amount based on the forecast return on investments during the current year, after meeting the expenses incurred in managing the fund.

Annually, the Trustees consider the actual return on investments and the extent to which the investment objectives have been achieved.

**3. Financial Risks**

**(a) Budgetary control is inadequate?**

Annually, the Trustees consider the level of reserves and anticipated investment income before determining the level of grants to be made.

Variance between the anticipated and actual investment income will be reflected in the following year's grants.

**(b) Financial administration is unsatisfactory?**

Monmouthshire County Council personnel policies and procedures ensure Officers are appropriately qualified for the roles undertaken.

Internal control arrangements ensure there is division of duties amongst Officers. Periodic audits review the internal control arrangements.

**(c) Financial losses arise due to speculative investment?**

The investment policy prescribes a risk minimisation approach which can limit the investment of funds to institutions meeting specified criteria.

**(d) Financial losses arise from fraud or error?**

The internal control arrangements are based upon segregation of duties. Periodic audits review the internal control arrangements. Insurance provides a means to recover from specified losses.

**4. Compliance Risk**

**(a) Failure to comply with legislation / regulations?**

The activities of the Fund are specified within objects of the Trust. The nature and format of financial reporting is specified by the Charity Commission and an external audit of the accounts is mandatory. A number of senior Council staff support and advise Cabinet on legal and financial matters.

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## **SCHEDULE 12A LOCAL GOVERNMENT ACT 1972 EXEMPTION FROM DISCLOSURE OF DOCUMENTS**

**REPORT:** APPLICATIONS FOR FUNDING  
**AUTHOR:** FINANCE MANAGER CYP FINANCE  
**MEETING AND DATE  
OF MEETING:** MONMOUTHSHIRE FARM SCHOOL  
ENDOWEMENT TRUST  
MONDAY 23<sup>rd</sup> JULY 2018.

I have considered grounds for exemption of information contained in the report referred to above and make the following recommendation to the Proper Officer:-

**Exemptions applying to the report:**

Likely to reveal information relating to a particular individual (Paragraph 12).

Information relating to the financial or business affairs of any particular person (including the authority holding that information) (Paragraph 14).

**Factors in favour of disclosure:**

Accountability of the Trustees for the proper disbursement of Trust Funds.

**Prejudice which would result if the information were disclosed:**

May discourage potential applicants (Applications depend on assessment of financial need).

**My view on the public interest test is as follows:**

Factors against disclosure outweigh those in favour

**Recommended decision on exemption from disclosure:**

Withhold

**Date:** 12/7/18

**Signed:** 

**Matt Jones**

**Post:**

**Student Access Manager**

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I accept the recommendation made above.



Proper Officer

**Nikki Wellington**

**Date:** 12/7/18

By virtue of paragraph(s) 12 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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