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Registered Charity Number 525638

The Chairman of the Trustees  
The Monmouthshire Farm School Endowment Trust  
c/o Andrew Evans  
CYP Finance  
Monmouthshire County Council  
Innovation House  
Caldicot  
Monmouthshire  
NP26 9AN

Dear Sir

The Roger Edwards Educational Trust (REET) and The Monmouthshire Farm School  
Endowment Trust Fund (MFSET)

In 2010 the Charity Commission set up a Scheme under which REET, formerly the Usk Grammar School Foundation and administered by Monmouthshire County Council, was formed as a separate entity under the control of local Trustees in Usk. Under the Scheme two thirds of REET's net income would continue be paid to MFSET, broadly reflecting the historical situation in which the Monmouthshire Farm School at the Rhadyr, Usk and Usk Church in Wales Primary School had been the only educational institutions in the Usk Grammar School Foundation's area of benefit since the closure of Usk Grammar School itself.

Since that date, MFSET's accounts (covering the period from 1 April 2009 to 31 March 2017) show MFSET's total income, net of expenses, as £389,420. Of this, £319,968 (82%) has been recorded in the accounts as income arising from REET. During this period, MFSET has made grants of £227,650 – underspending its total available income by £161,770 (41.5%) and its income receivable from REET alone by £92,318 (nearly 28%). This strongly suggests that MFSET does not need its current level of income and that it may have continuing difficulty in using up its accumulated reserves. Charity Commission guidance states, "If a charity has more resources than it needs to fulfil all of its purposes then the trustees must consider whether the purposes of the charity should be amended to enable the charity to operate more effectively." (CC19)

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I enclose a schedule setting out the financial history of both charities since the year ended 31 March 2010. (One minor complicating factor is that MFSET's accounts include an annual estimate of amounts receivable from REET, which is corrected the following year; however, the cumulative difference between MFSET's estimates and the actual amounts received to 31 March 2017 is trivial (a little over £5,000); this therefore does not undermine the suggestion that MFSET no longer appears to need its current level of income from REET.)

Since 2010 a number of things have occurred which lead the trustees of REET to conclude that the present arrangements should now be changed. I list those factors below, but not necessarily in order of importance.

1. REET has invested the large financial endowment transferred to the Trustees at its inception proactively in a spread of equity and property-based investments managed by the Charities Official Investment Fund. These have grown in value by over £300,000 (31%) to 31 March 2017 and have produced income representing a yield of around 5% on the original sums invested. MFSET, which historically had a much more cautious investment strategy (and which has only in the past few years moved its investments from low-yielding cash deposits to fixed interest funds), has therefore benefited disproportionately under the current income-splitting arrangement from REET's more proactive stewardship. However, much of the income transferred from REET remains unused.
2. To the extent that MFSET's own income has now been enhanced by its change in investment strategy, this may well further increase the gap between its income and grant-making expenditure and so exacerbate MFSET's existing problem of underspending its income.
3. We have noted several instances in the minutes of MFSET Trustees' meetings where concerns have been expressed about the lack of uptake for MFSET's grants and various actions suggested to publicise them. We also noted in the minutes of the meeting on 17 July 2017 that Trustees had approved the investment of £50,000 cash reserves. This in turn supports the impression that MFSET has been accumulating cash that it has been unable to spend on its charitable objects – an accumulation for which no clear need in the form of a reserves policy has been identified.
4. Monmouthshire County Council (MCC) relinquished its tenancy of the Old Grammar School in Usk in mid-2015. Despite the loss of MCC rental income from this asset, REET has been able to find alternative tenants. However, there has been a major impact on our expenses, both from taking over the

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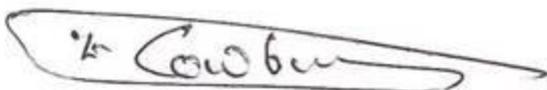
costs of running and maintaining this listed building and from the professional fees associated with an ongoing dispute since 2015 over MCC's responsibility for dilapidations incurred during their long tenancy.

5. REET's profile in Usk has risen, and as a result REET is receiving more applications for grants than before. It is perhaps arguable that this situation should have been anticipated before the historical split of income between the two charities was perpetuated in REET's Scheme; however, with the benefit of 7 years' hindsight, it now seems clear that MFSET no longer needs its current level of contribution from REET, while REET itself is facing increasing demands for grants in its own area of benefit. Between 2011 and 2017, REET has made £177,337 in grants, and over £64,000 of these were funded by a once-off refund from MCC in respect of grants made *ultra vires* during its administration of the predecessor charity.
6. REET's trustees have therefore been forced to scale back on grants at a time of growing demand. Our average annual grant expenditure since inception has been just over £22,000; our budget for 2017/18 is currently £14,000, and in several recent cases we have reduced grants to individuals compared with what we would have offered in the past, or what we would have wished to offer currently, because of this constraint.

REET's Trustees now consider that the current arrangements between the two Trusts are no longer appropriate to the needs of either party and need to be reviewed. I therefore request a meeting between representatives of the two Trusts to see whether it will be possible to reach agreement on a new arrangement which can then be submitted to the Charity Commission for approval. If you are prepared to meet us, we suggest that 3 or 4 Trustees from each Trust should attend. I note that MFSET's Trustees are due to meet in any case on Monday 22 January 2018; for our part, representatives of REET would be happy to meet you on that date.

I hope that you will agree to a meeting, and that a new arrangement can be reached so that the two trusts can continue to work together.

Yours sincerely

A handwritten signature in black ink, enclosed in a hand-drawn oval. The signature appears to read "C E Cowburn".

C E Cowburn

Chairman

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