

**The Monmouthshire County Council Welsh  
Church Act Fund**

**Annual Report and Financial Statements for the  
year ended 31 March 2015**

Registered Charity Number: 507094

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

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**The Monmouthshire County Council Welsh Church Act Fund  
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**Trustee, Officers and Advisors**

**Trustee**

Monmouthshire County Council

**Secretary**

Robert Tranter  
Monitoring Officer  
Monmouthshire County Council

**Registered Office**

Innovation House  
Magor  
PO Box 106  
NP26 9AN

**Auditors**

Wales Audit Office  
24, Cathedral Road  
Cardiff  
CF11 9LJ

**Solicitor**

Robert Tranter  
Head of Legal Services  
Monmouthshire County Council

**Investment Custodian**

Monmouthshire County Council

**Bankers**

Barclays Bank  
1-5 St David's Way  
St David's Centre  
Cardiff  
CF10 2DP

# **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2015**

## **Report of the Trustee for the year ended 31 March 2015**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2015 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

The information with respect to the Trustee, officers and advisors set out on page 1 forms part of this report. The financial statements comply with the Charity's trust deed, applicable accounting standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" 2005 and the Charities Act 1993.

### **Structure, Governance and Management**

The Charity is governed by the Welsh Church Act 1914 and the Welsh Church Act (Designation and Specification) Order 1996 and is registered with the Charity Commissioners under charity number 507094. A model scheme for the administration of the fund has been prepared and has been submitted to the Welsh Government for approval.

The Trust covers the Council administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and the City of Newport, with Monmouthshire County Council being designated as the host Authority. The Monmouthshire Welsh Church Act Fund was established on 1 April 1996, from the former Gwent Welsh Church Act Fund and part of the former Mid Glamorgan Welsh Church Act Fund.

Monmouthshire County Council as the Corporate Body is the Trustee for the Welsh Church Fund and therefore there are no policies and procedures adopted for the induction and training of trustees.

The management of the Fund is undertaken by officers of the Council and a proportion of their time is charged to the Fund.

### **Objectives**

The primary object of the Charity for each year, as stated in its governing document, is to assist groups and individuals for educational, social, recreational and other charitable purposes. Grants are available from the Fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

### **Grants allocation policy**

An annual budget set by the Trustee for grant payments is split between the administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and Newport on a population basis.

A Committee set up by the Trustee approves grant applications on a basis in line with full Council meetings or as deemed required by the participating authorities. Grants are made in pursuance of the Charity's objectives.

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

The statement of financial activities for the year is set out on page 6 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has increased in value by £597,124 (£1,447 increase in 2013/14); this increase in value is mainly due to the re-valuation of the fixed asset investments of £233,025 in line with the 5 year fixed asset revaluation policy of the Trustee. There has also been an in year un-realised gain of £269,870 in regard to the investment assets managed by the trust's investment advisors.

Income is principally comprised of investment income of £218,707 (£162,549 in 2013/14), which has increased as a result of the investment strategy being implemented for the whole financial year in 2014/15. This strategy has removed the majority of the investment fund from the pooled investment arrangement that the Trust had with Monmouthshire County Council. The Trust has utilised the Trustee's own investment managers to manage the fund, thus, controlling management fees and therefore maximising returns whilst at the same time maintaining a balanced capital risk strategy.

Charitable expenditure for the year amounted to £124,053 (£139,092 in 2013/14) and principally comprised

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grant payments of £117,598 (£130,217 in 2013/14). This is primarily due to Caerphilly Borough withholding grant payments due to applicants not meeting grant payment criteria after the initial award of funding.

As indicated previously, net gains on investments held amounted to £269,870 (£28,801 net loss in 2013/14). These non realised investment gains have been as a result of the Trusts' current investment strategy, diversifying the portfolio across several investment categories in the last couple of financial years. The long term projections on these charity based investments continue to outperform the trust's old pooled investment strategy as reflected by the continuing increased investment returns received during the financial year.

The provision for potential investment losses arising from investments in Icelandic investments to which the Charity is exposed has remained the same during the 2014-15 financial year. During 2015/16 the final position re the final loss due on the Icelandic investment will be known and it is expected that the provision will be utilised.

### **Income generation**

The Charity's income was £220,814, compared to £166,021 in 2013/14. The full implementation of the market investment strategy that has mainly replaced the pooled investment strategy with Monmouthshire County Council has continued to produce larger returns in the financial markets due to investment in more specific charitable investment funds.

### **Bad debt provision**

A new bad debt provision of £885 has been recognised in regard to an invoice outstanding with a tenant that is very unlikely to be collected.

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

Under the terms of the Trust Deed, the Trustee has general powers of investment, subject to the provisions of the Trustee Act 2000. The investment policy of the Trust is to maximise the rate of investment return, whilst employing a risk strategy that minimises any potential reduction in the capital value of the Fund.

The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2014/15, which was approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on March 5<sup>th</sup> 2014.

### **Icelandic Bank Impairment**

The Charity is currently exposed to potential investment losses arising from investments in Icelandic Investments.

The investments of the Charity are managed by the appointed fund managers of Monmouthshire County Council, acting in its capacity as sole and corporate Trustee. As part of the Charity's Investment strategy, any investment losses or gains incurred by the Authority in regard to pooled funds are apportioned proportionately between the Authority and the Charity in line with total investments held by the Authority.

The Charity currently estimates that it is exposed to a potential £12,494 investment loss (£12,494 investment loss in 2013/14), and a provision is made for this amount in the year-end accounts. No further information has been forthcoming from the administrators to alter this assumption during 2014-15.

### **Changes in fixed assets**

The fixed asset investments were re-valued during the 2014/15 financial year in line with the fixed asset policy. This revaluation led to an unrealised gain on the fixed asset investments of £233,025 (see note 7)

### **Reserves**

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31<sup>st</sup> March 2015 was £5,255,580. The Trustee has reviewed its Fund strategy and produced an investment and fund strategy for 2014/15 which states that the purpose of reserves is to maintain investments such that they realise sufficient income to provide grants to organisations at a consistent level. Whilst, the strategy is to ensure that there is no long-term detrimental effect on overall reserve balances, recommendation made by the Charity Commission has resulted in grants

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being made in excess of investment income in order to redress accumulated balances from previous years.

### **Governance of the Charity**

Three representative councillors from each of the five administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and Newport are appointed by their respective councils annually to form a committee to oversee fund management. Members are appointed to the committee for the term of the Council.

### **Risk management**

The Trustee has undertaken a review of the major risks to which the Charity is exposed and its risk management and internal control procedures should be updated to ensure that systems are in place to mitigate the risks identified. The risk assessment was considered by Monmouthshire County Council on 5th March 2014

### **Auditors**

The Wales Audit Office was appointed as auditors to the Welsh Church Act Fund in 2007/08.

### **Statement of Trustee's responsibilities**

The Trustee is responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and its financial activities for that period.

In preparing those financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operational existence.

The Trustee confirms that it has complied with the above requirements in preparing the financial statements.

The Trustee is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable it to ensure that the financial statements comply with the Charities Act 1993 It is 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.

The Trustee certifies that:

- as far as it is aware, there is no relevant information of which the Charity's auditors are unaware; and
- as Trustee of the Charity, it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

**By order of the Trustee**

**Mrs Joy Robson  
Head of Finance – Monmouthshire County Council**

**Date:**

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**Report of the Auditor General for Wales to the Trustee of the  
Monmouthshire County Council Welsh Church Act Fund**

I have audited the financial statements of Welsh Church Act Fund for the year ended 31 March 2015 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of trustee and independent auditor**

As explained more fully in the Trustee's Responsibilities Statement set out on page 2, the trustee is responsible for the preparation of financial statements which give a true and fair view.

I have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustee and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the Trustee's Annual Report, to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Opinion on financial statements**

In my opinion the financial statements:

- Give a true and fair view of the state of affairs of the charity as at 31 March 2015 and of its incoming resources and application of resources for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Charities Act 2011.

**Opinion on other matters**

In my opinion the information which comprises the report of the Trustee in the Annual Report is consistent with the financial statements.

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

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

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**Statement of financial activities for the year ended 31 March 2015**

	Notes	2015 £	2014 £
<b>Incoming resources</b>			
Investment income	2	218,707	162,549
Other incoming resources		2,107	3,472
<b>Total incoming resources</b>		<b>220,814</b>	166,021
<b>Resources Expended</b>			
Costs of generating funds:			
Investment Property Professional fees		915	0
Management and administration		733	733
Movement in bad debt provision		885	230
		<b>2,532</b>	963
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Grants payable	3,4	117,598	130,217
Management and administration		3,970	6,787
Governance Costs	5	2,485	2,088
		<b>124,053</b>	139,092
<b>Total resources expended</b>		<b>126,585</b>	140,055
<b>Net incoming /(outgoing) resources before transfers</b>		<b>94,229</b>	25,966
<b>Net incoming / (outgoing) resources before other recognised Gains / (losses)</b>		<b>94,229</b>	25,966
Gains/(losses) on the revaluation and disposal of investment assets		269,870	(28,801)
Gains/(losses) on the revaluation and disposal of tangible fixed assets		233,025	0
Provision for investment losses (increase) / decrease	13	0	4,282
<b>Net movement in funds</b>		<b>597,124</b>	1,447
Fund balances brought forward 1 April 2014		4,658,456	4,657,009
<b>Fund balances carried forward 31 March 2015</b>	11	<b>5,255,580</b>	4,658,456

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



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**Balance Sheet as at 31 March 2015**

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Tangible Investment Assets	7	382,451	149,426
Investments	8	4,763,926	4,494,055
		<b>5,146,377</b>	4,643,481
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	112,564	97,863
Cash at bank and in hand		122,166	53,062
		<b>234,730</b>	150,925
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	10	113,033	123,456
<b>Net current assets less current liabilities</b>		<b>121,697</b>	27,469
Long term liabilities: Provisions	13	12,494	12,494
<b>Net assets less Liabilities</b>		<b>5,255,580</b>	4,658,456
<b>Reserves:</b>			
Unrestricted Funds	11	5,255,580	4,658,456
<b>Total funds</b>		<b>5,255,580</b>	4,658,456

The accounts on pages 6 to 13 were approved by the Trustee on 00 January 2016, and signed on their behalf by:

Mrs Joy Robson  
Head of Finance (S151, Responsible Financial Officer), Monmouthshire County Council

Date:

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**Notes to the financial statements for the year ended 31 March  
2015**

**1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" 2005. A summary of the principal accounting policies, which have been applied consistently, are set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, as modified by the inclusion of investments and tangible fixed assets at market value. During the year the Charity reviewed its accounting policies in accordance with FRS18 'Accounting Policies'. No accounting policies have been changed as a result.

**Incoming Resources**

All income is accounted for on an accruals basis.

**Resources expended**

All expenditure is accounted for on an accruals basis. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

**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**

Management and administration costs include expenditure on administration of the Charity and, an appropriate apportionment of overheads.

**Governance Costs**

Governance costs comprise costs involving the compliance with constitutional and statutory requirements. These costs relate to audit fees payable to the appointed external auditor.

**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.

**Fund accounting**

Funds are unrestricted funds which are available for use at the discretion of the Trustee in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

**Tangible Investment Assets**

*Capitalisation, Replacement and Valuation*

The Trust's policy is to revalue its land and buildings. Valuations are carried out on a rolling basis over a five-year period. Valuations will also be undertaken where it is identified that there have been material movements between formal valuations,

An Independent valuer of Williams Associates a qualified Land Valuers and Chartered Surveyors, re-valued all tangible fixed assets as at 24<sup>th</sup> March 2015 and all assets held at that date are included in the accounts at valuation. Vacant properties are valued at open market value. Properties that are deemed to be Community Assets are valued at a £1.

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### Depreciation

Land is not depreciated. The Fund currently has no buildings on the fixed asset register.

### Investments

Any realised and unrealised gains and losses on revaluation or disposals of investments are included in the statement of financial activities. The Authority is authorised to invest any surplus income or dispose of any investments when it deems appropriate. Investments are strategically placed in investment funds specifically designed for charitable organisations. Investment performance is reviewed periodically in light of prevailing economic changes.

### Fees and similar income

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided.

### Cash flow statement

The Charity is exempt from publishing a cash flow statement as it qualifies for exemption as a small charitable company under Financial Reporting Standard 1 paragraph 5(f) on the basis that it meets the relevant conditions and size criteria specified in the Companies Act.1985.

## 2 Investment income

	2015	2014
	£	£
Investments with Monmouthshire County Council	2,107	11,209
External Investments	218,707	151,340
	<b>220,814</b>	162,549

## 3 Grants Payable

	2015	2014
	£	£
Grants have been paid to the following administering Local Authorities for them to make to groups and individuals on behalf of the Fund:		
Monmouthshire County Council	23,884	15,927
Torfaen County Borough Council	22,172	22,894
Newport City Council	38,135	38,300
Blaenau Gwent County Borough Council	15,839	19,526
Caerphilly County Borough Council	17,568	33,570
	<b>117,598</b>	130,217

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**4 Analysis of Grants**

	<b>Grants to Organisations</b>	<b>Grants to Individuals</b>
	£	£
The Advancement of Education	7,747	300
The Advancement of Religion	39,906	0
The Relief of Poverty	7,550	0
Other Purposes Beneficial to the Community	62,095	0
<b>Total</b>	<b>117,298</b>	<b>300</b>

Caerphilly Borough Council, Newport City Council, Torfaen County Borough Council and Monmouthshire County Council have under spent their allocations for 2014/15 by £155,235, £10,184, £15,011 and £6,576 respectively which will be carried forward for distribution in 2015/16. Blaenau Gwent County Borough Council allocated all of their distribution during the financial year.

**5 Governance Costs**

	<b>2015</b>	2014
	£	£
Auditor's remuneration	2,485	2,088
	<b>2,485</b>	2,088

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 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.

**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 is not separately registered for VAT because it falls within the Local Authority's VAT Registration as Corporate trustee and accordingly, all their expenditure is recorded exclusive of any VAT incurred.

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**7 Investment Assets**

	<b>Total</b>
	<b>£</b>
<b>Valuation</b>	
At 1 April 2014	149,426
Disposals	0
Revaluation	233,025
<b>At 31 March 2015</b>	<b>382,451</b>
<b>Depreciation</b>	
At 1 April 2014	0
Charge in year	0
Disposals	0
<b>At 31 March 2015</b>	<b>0</b>
<b>Net book Value</b>	
At 1 April 2014	149,426
<b>At 31 March 2015</b>	<b>382,451</b>

Tangible Investment Assets solely consist of freehold land. All land held by the Fund had been revalued as at 24<sup>th</sup> March 2015. Valuations were carried out during the financial year in accordance with the valuation policy whereby assets are required to be revalued on a rolling basis of not more than five year intervals.

**8 Investments**

	<b>2015</b>	2014
	<b>£</b>	£
CCLA - COIF Property Fund	<b>975,139</b>	864,141
UBS Multi Asset Income Fund	<b>752,446</b>	737,527
M&G Charibond Fund	<b>723,491</b>	689,225
Schroders Income Maximiser	<b>476,340</b>	467,995
M&G Charifund	<b>526,706</b>	505,425
CCLA - COIF Investment Fund	<b>854,303</b>	779,412
Treasury Stock 2024 2.5%	<b>105,501</b>	100,330
Invested with Monmouthshire County Council	<b>350,000</b>	350,000
	<b>4,763,926</b>	4,494,055

The Trust has investments held with UBS, M&G, Schroeder's, CCLA, HM Treasury and Monmouthshire County Council. The investments are held as part of the Authority's overall investment portfolio. Returns from Monmouthshire are generated on a "pooled" basis. The average rate of interest generated on the pooled funds from Monmouthshire was 0.5906% for 2014/15 (0.5906% for 2013/14). The basis of valuation on the market based investments held with CCLA, M&G, UBS and Schroder's, is the

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open market value of the unit holdings on the 31<sup>st</sup> March 2015 multiplied by the units held. The Treasury Stock 2024 valuation is based upon the market value of the Treasury Gilt at the 31<sup>st</sup> March 2015 as listed on the dmo.gov website. The value of the 'pooled' investment with Monmouthshire County Council is the cash value as at the 31<sup>st</sup> March 2015. Non of the Investments are held outside of the territorial limits of the United Kingdom.

**9 Debtors**

	<b>2015</b>	2014
	<b>£</b>	£
<b>Amounts falling due within one year</b>		
Investment Income	<b>109,634</b>	57,603
Other Debtors		
MCC Bank Transfer	<b>0</b>	34,009
Rental income	<b>3,689</b>	1,812
Bad debt provision for loss of rental income	<b>(885)</b>	(230)
HM Revenue and Customs	<b>0</b>	949
Other Debtors	<b>126</b>	3,720
	<b>112,564</b>	97,863

All investment interest due from the trustee was paid in year in 2014-15.

**10 Creditors**

	<b>2015</b>	2014
	<b>£</b>	£
<b>Amounts falling due within one year</b>		
Grant creditors	<b>97,714</b>	123,456
Other creditors	<b>15,319</b>	0
	<b>113,033</b>	123,456

**11 Funds**

	Balance 1 April 2014	Incoming resources	Resources Expended	Other Recognised Gain / (Loss)	<b>Balance 31 March 2015</b>
	£	£	£	£	£
Unrestricted funds	4,658,455	220,814	126,188	502,896	<b>5,255,977</b>

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### 12 Related party transactions

During the year transactions with related parties arose as follows:

	2015		2014	
	Receipts	Payments	Receipts	Payments
	£	£	£	£
Monmouthshire County Council	<b>39,566</b>	<b>27,978</b>	22,355	27,070

Members of the Authority have direct control over the Welsh Church Fund's financial and operating policies. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Welsh Church Fund must ensure that grants allocated were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests.

During the financial year, members who declared an interest did not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in minutes or relevant meetings and recorded in the Register of Members' Interest, open to public inspection at County Hall, Usk.

### 13 Investment losses -Impairment of Investments

The Charity is currently exposed to potential investment losses arising from investments in Icelandic Investments.

A small amount of the investments of the Charity are pooled within the overall investment portfolio of Monmouthshire County Council, acting in its capacity as sole Trustee. As part of the Charity's Investment strategy, any investment losses incurred by the Authority are apportioned proportionately between the Authority and the Charity in line with total investments held by the Authority.

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. Monmouthshire County Council had £1,200,000 deposited with Heritable Bank as part of its overall investment portfolio.

All monies within Heritable Bank are currently subject to the respective administration process. The amounts and timing of payments to depositors such as the authority will be determined by the administrators. This process is estimated to terminate in the financial year 2015/16.

Based on the latest information available, the Charity continues to consider it appropriate to provide for an impairment adjustment for the deposit. The Charity currently estimates that it is exposed to a potential £12,494 investment loss (£12,494 in 2013/14); the provision has subsequently been carried forward in the year-end accounts.

As the available information is not definitive as to the amount and timing of any future or final payments to be made by the administrators, it may become evident over the next financial year that this provision will no longer be required if the administrators deem no more disbursements will be forthcoming..