

**PWYLLGOR CRONFA ELUSENNOL
CHARITABLE FUNDS COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	17 June 2025
TEITL YR ADRODDIAD: TITLE OF REPORT:	Hywel Dda Health Charities (HDdHC) - allocation and level of cash holdings
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Tim John, Head of Accounting & Statutory Reporting

**Pwrpas yr Adroddiad (dewiswch fel yn addas)
Purpose of the Report (select as appropriate)**

Ar Gyfer Penderfyniad/For Decision

**ADRODDIAD SCAA
SBAR REPORT**

Sefyllfa / Situation

As discussed in previous Charitable Funds Committee (CFC) meetings, cash, which may be surplus to requirement from a day-to-day perspective is currently held in a COIF (Charities Official Investment Fund) Charities Deposit Fund with the Charity's investment fund manager, CCLA.

The Committee is being asked to approve the transfer of some of the funds held in the COIF Charities Deposit Fund to CCLA's COIF Charities Ethical Investment Fund.

Please note that the COIF Charities Deposit Fund and COIF Charities Ethical Investment Fund will be referred to as Deposit Fund and Ethical Fund respectively hereafter in this document.

Cefndir / Background

CFC members will be aware that under Section 4 of the CFC's Terms of Reference (ToR), the CFC will make decisions involving the sound investment of charitable funds in a way that both preserves their value and produces a proper return consistent with prudent investment principles and ensures compliance with relevant legislation.

Historically, cash and investments attributable to Charitable Funds have been held in a mixture of bank accounts and investment vehicles, namely Barclays bank current and deposit accounts and CCLA's Ethical Fund (this investment type was previously held with Sarasin until December 2022).

In September 2023 the CFC approved the transfer of all the funds held in the Barclays bank deposit account to CCLA's Deposit Fund on account of an improved return on investment. Following the necessary onboarding process with CCLA, the transfer of the funds (circa £6m) was completed in late November 2023.

In addition, at the September 2023 CFC meeting, it was agreed to assess expected significant future commitments and agree an amount to be transferred from the Deposit Fund into the

Ethical Fund. The reason for this approach is that there is potentially a higher return on investment where funds are held in investment fund vehicles as opposed to cash deposit funds. However, there are also risks attached to this approach with no guarantee that the money invested will have increased in value or even retained its original investment due to the movement on global stock markets.

Asesiad / Assessment

As of 30 April 2025, Charitable Funds had £4.9m deposited in the Deposit Fund and £8.4m invested in the Ethical Fund.

Prior discussions with CCLA have indicated the following target returns on investment:

- 1) *COIF Charities Deposit Fund*: funds usually invested < 3 years; target return – interest rate circa 5% (AER in August 2023)
- 2) *COIF Charities Ethical Investment Fund*: funds usually invested for > 5 years; target return – UK CPI (inflation) +5%
- 3) *COIF Charities Short Duration Bond Fund*: funds usually invested 3-5 years; target return – cash + 1.75 (please note this option was disregarded at the CFC meeting in September 2023).

The Ethical Fund offers the greatest potential in terms of return on investment.

In addition, as previously reported at CFC, all the above options offer daily liquidity, with no lock in or notice period but there is a risk that any investments other than cash could increase or decrease in value; past performance is not a reliable indicator of future results.

Finally, in terms of risk profile, CCLA use a risk indicator scale from 1 to 7, 1 being the lowest risk and 7 the highest.

Investment vehicle profiles

COIF Charities Deposit Fund: aims to provide a high level of capital security and a competitive yield. The Fund is actively managed, with a diversified portfolio of sterling denominated money-market deposits and other instruments.

From a risk perspective, CCLA have classified this fund as 1 out of 7, which is the lowest risk class.

COIF Charities Ethical Investment Fund: aims to provide a total return (growth in capital and income) over the long term (defined as 5 years). The Fund is actively managed, with an emphasis on equities (between 50% and 85%) but will also include property, bonds and other asset classes, which may be either liquid or illiquid in nature. It has a wide range of values-based investment restrictions and is advised by an ethical advisory committee that identifies potential areas for development.

This fund generates circa £250k of income per annum for Charitable Funds.

From a risk perspective, CCLA have classified this fund as 4 out of 7, which is a medium risk class.

Following consultation with CCLA earlier in the year it is evident that the question of how best to allocate funds across different investment vehicles is unique to every charity. CCLA is not

permitted to advise clients on this matter, but generalised discussions between the Director of Finance, Head of Accounting & Statutory Reporting and CCLA Client Investment Director, signified that an appropriate approach is one whereby a charity reviews its' day to day and ongoing commitments and then distributes its' funds across various short and long term options in a way which ensures it can meet its' financial obligations in a timely manner. This would afford Charitable Funds the opportunity to ensure that it maximises any return on investment.

Consequently, a suitable methodology was deemed to be an ageing of outstanding commitments with a percentage of said commitments retained in the Deposit Fund, after allowance for the income generated from the Ethical Fund:

<u>Commitments - ageing</u>	<u>Outstanding Commitments</u> £'000s	<u>Retained in COIF Charities Deposit Fund</u> %age	<u>£'000s</u>
Due within 6 months	x	100	x
Due 6 – 12 months	x	50	x
Due after 12 months	x	25	x
			x
(less) regular income from COIF Charities Ethical Fund			(y)
Total to be retained in COIF Charities Deposit Fund			x

Commitments would be reviewed on a quarterly basis as a matter of course but this would not prohibit the opportunity to amend the amount of funds held in each fund, should the requirement arise.

Review of Charitable Funds Commitments

As of 30 April 2025, Charitable Funds had outstanding financial commitments of £2.2m, the most significant one of which was £1.543m in respect of the Pentre Awel Hydrotherapy Pool. In terms of the age profile of the commitments:

- Due within 6 months - £2m
- Due 6 – 12 months - £14k
- Due after 12 months - £195k

Therefore, subject to approval by CFC, the amount to be retained in the Deposit Fund would be:

<u>Commitments - ageing</u>	<u>Outstanding Commitments</u> £'000s	<u>Retained in COIF Charities Deposit Fund</u> %age	<u>£'000s</u>
Due within 6 months	2,000	100	2,000
Due 6 – 12 months	14	50	7
Due after 12 months	195	25	49
			2,056
(less) regular income from COIF Charities Ethical Fund			(250)
Total to be retained in COIF Charities Deposit Fund			1,806

The remaining surplus balance over and above the £1.806m, currently held in the Deposit Fund (£3.1m), will be transferred into the Ethical Fund.

Please note that normal working capital requirements will continue to be reviewed to ensure sufficient liquid funds are retained in Charitable Funds' current bank account.

Argymhelliad / Recommendation

Decision – Members of the CFC are asked to approve:

- the above methodology for the retention of funds within the Deposit Fund and
- the transfer of £3.1m currently held in the Deposit Fund to the Ethical Fund.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.3
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	Not Applicable
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	Not Applicable
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	10. Not Applicable

Gwybodaeth Ychwanegol: Further Information:

Ar sail tystiolaeth: Evidence Base:	Not applicable
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Rhestr Termiau: Glossary of Terms:	Included within the report where required
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cronfa Elusennol: Parties / Committees consulted prior to Charitable Funds Committee:	Third party asset fund manager consulted

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	No EqIA is considered necessary for a report of this type.
Ansawdd / Gofal Claf: Quality / Patient Care:	No EqIA is considered necessary for a report of this type.
Gweithlu: Workforce:	No EqIA is considered necessary for a report of this type.
Risg: Risk:	No EqIA is considered necessary for a report of this type.
Cyfreithiol: Legal:	No EqIA is considered necessary for a report of this type.
Enw Da: Reputational:	No EqIA is considered necessary for a report of this type.
Gyfrinachedd: Privacy:	No EqIA is considered necessary for a report of this type.

**Cydraddoldeb:
Equality:**

No EqIA is considered necessary for a report of this type.