

REPORT TO ABERDEENSHIRE CHARITIES TRUST (ACT2) - 9 MARCH 2017

ABERDEENSHIRE CHARITIES TRUST (ACT2) - FINANCIAL MANAGEMENT

1. Recommendations

The Trustees are recommended to:

- 1.1 **Agree that the initial split of ward balances should be delegated to Area Committees acting on behalf of ACT2;**
- 1.2 **Agree a policy which states that all future investment income should be retained within the ward revenue balances for future use;**
- 1.3 **Agree to retain capital balances within the Council's Loans Fund;**
- 1.4 **Agree that ACT 2 application thresholds are agreed by Area Committees acting on behalf of ACT2;**
- 1.5 **Note the action taken regarding the annual Christmas Trust payments.**

2 Discussion/Background

ACT2 (Aberdeenshire Charities Trust) ("ACT2") is obligated to ensure the effective financial management of the funds held. This report aims to set out the financial management structure and resulting investment policies of the balances held within the trust.

Trust Balances

- 2.1 **Appendix 1** shows a list of the balances currently held, including the split between Revenue and Capital, within ACT2 split by council ward and purpose. Revenue being the amount held within the trust for distribution to beneficiaries and capital being the amount invested within the Council's Loans fund to generate interest for the trust.
- 2.2 The Trustees are required to decide whether the current split of the balance between Revenue and Capital is at the right level for each area for each purpose.

The options available are:

- Leave the current splits as they are with an option to review again in one year.
- Agree a consistent percentage split across all funds.
- Delegate the initial decision to the Area Committees.

- 2.3 As the balances within each ward and area vary significantly the trustees are recommended to delegate this initial decision to the Area Committees to make a decision on each ward area according to purpose.

Future Balances

- 2.4 Once the above split of balances has been agreed, any income generated through investments will be re-allocated to each fund based on the level of capital balances remaining. The Trustees are required to agree a policy for investment income going forward.
- 2.5 Under the previous structure of the trusts the interest received in the year was split between capital and revenue. Two thirds are currently allocated to revenue and the remaining one third is reinvested back into the capital balance to increase the level of investment.
- 2.6 **Appendix 2** shows the level of interest generated in 2015/16.
- 2.7 As a result of the low interest rates and resulting levels of income it is recommended that all income generated through the capital balance is retained as revenue for distribution to applicants. This will be kept under review by officers and should interest rates rise, this decision can be revisited.

Insurance

- 2.8 At the ACT2 AGM held in November 2015 The Trustees authorised officers to arrange indemnity insurance for Trustees and Officers in terms of the ACT2 Constitution and Section 68A of the Charities and Trustee Investment (Scotland) Act 2005.
- 2.9 The Insurance Officer for Aberdeenshire Council has been consulted and indemnity insurance will be put in to place for up to £1m once the management plan has been agreed.

External Investment

- 2.10 As an initial step in seeking advice on external investment, discussions were held with Aberdeenshire Council's Treasury Management Officer.
- 2.11 The advice received indicates that the capital balances of ACT2 should remain within the Council's Loan Fund for the following reasons:
- The current base rate at which banks lend to each other is 0.25%, ACT2 currently receives the average monthly rate received by the Council. To date this has been approximately 0.5574% for 2016/17.
 - Investing in the Loans fund gives the trust instant access to funds if required.
 - Initial research in to the best external accounts for charities has indicated that the rate of interest would be a maximum of 0.55%, and this would come with a 95 day notice period for any withdrawals.
- 2.12 The size & volumes the Council invest should ensure we always return better than Base Rate. It may not be the market leading rate but the return generated is based on our Investment strategy priorities of:

- Security of Principal (We only invest in counterparties that are highly rated)
- Liquidity (The ease of which we can get our funds back)
- Yield (Generating the best return without compromising Security & Liquidity)

Remaining within the Loans Fund ensures compliance with the Council's Investment policy.

- 2.13 External advice has not been sought as to the returns that could be generated through an externally managed fund. It is felt that the current balances within ACT 2 do not warrant this action. There is potential to look at this again in future years should there be a further re-organisation of the trusts held within Aberdeenshire Council.

Maximum Thresholds

- 2.14 As per the management plan, which is next on the agenda, there is a requirement to set maximum thresholds for applications in order to ensure that applicants are clear of the level of awards available. Due to the variations between ward balances and purposes it is recommended that these thresholds are agreed at ward level. Reports will be taken to the Area Committees once the balance values have been agreed as per recommendation 1.1.

Christmas Trusts

- 2.15 Under the previous trust structure annual payments of £100 were made from some of the trusts to individuals in December each year, these payments were known as the Christmas Trusts.
- 2.16 The list of Christmas Trust beneficiaries has been built up over a number of years at the request of Elected Members. The Trust deeds are extremely old and do not set out the eligibility criteria for potential recipients of the Trusts. No documentation exists within the Council setting out eligibility criteria for the Trusts. The practice of nomination of individuals by Elected Members over the years is the only evidence that exists. Eligibility criteria will be considered as part of the management plan.
- 2.17 As a result of the re-organisation of these smaller trusts, several of the Christmas Trust payments now fall within ACT2, specifically within the Banff and Buchan and the Kincardine and Mearns areas. Due to the time sensitivity of this matter and the fact that the management plan and application process for ACT 2 had yet to be agreed, a report was presented to the relevant area committees asking for interim solution for the payment of the Christmas trusts for 2016/17.
- 2.18 The implications of these payments if the actions agreed were in line with the recommendations, would be £1,800 to be paid from the Banff and Buchan area revenue balance and £300 from Kincardine and Mearns.
- 2.19 At the time of writing this report the outcome of the above is not known. A verbal update will be provided.

- 2.20 Going forward, it would be expected that future ACT2 payments are made through an application process. The arrangements for applications is to be discussed as part of the management plan which is next on the agenda. This will enable an assessment to be made each year as to whether each payment is appropriate and also ensures that others are able to apply for this funding.
- 2.21 The Head of Finance and the Monitoring Officer have been consulted in the preparation of the report and their comments are incorporated within the report.

3 Equalities, Staffing and Financial Implications

- 3.1 An equality impact assessment is not required as the recommended actions do not have a differential impact on people with protected characteristics.
- 3.2 There are no staffing implications arising from this report.
- 3.3 The Financial Implications are included within the body of the report.

Ritchie Johnson

Director of Business Services

Report prepared by Julia Millar, Principal Accountant
February 2017

ABERDEENSHIRE COUNCIL ACT 2

Appendix 1

| Ward Name and Purpose | Area | Revenue £ | Capital £ |
|--|------------------|-------------------------------|-------------------------------|
| 1 Banff & District (Banff & Buchan) Ward 1 - prevention/relief of poverty and those in need | Banff and Buchan | 18,589.50 18,589.50 | 35,373.43 35,373.43 |
| 2 Troup (Banff and Buchan) Ward 2 - prevention/relief of poverty and those in need | Banff and Buchan | 7,948.48 | 34,012.75 |
| 2 Troup (Banff and Buchan) Ward 2 - advancement of public participation in sport | Banff and Buchan | 1,710.78 | 100.00 |
| | | 9,659.26 | 34,112.75 |
| 3 Fraserburgh & District (Banff and Buchan Area) Ward 3 - prevention/relief of poverty and those in need | Banff and Buchan | 596.53 | 3,003.25 |
| 3 Fraserburgh & District (Banff and Buchan Area) Ward 3 - Any Purpose | Banff and Buchan | 1,636.60 | 0.00 |
| | | 2,233.13 | 3,003.25 |
| 4 Central Buchan (Buchan Area) Ward 4 - prevention/relief of poverty and those in need | Buchan | 1,392.30 | 722.02 |
| | | 1,392.30 | 722.02 |
| 5 Peterhead North & Rattray (Buchan) Ward 5 - prevention/relief of poverty and those in need | Buchan | 169.61 | 464.20 |
| | | 169.61 | 464.20 |
| 7 Turriff & District (Formartine) Ward 7 - prevention/relief of poverty and those in need | Formartine | 2,964.15 | 7,535.49 |
| | | 2,964.15 | 7,535.49 |
| 8 Mid Formartine (Formartine Area) Ward 8 - advancement of the arts, heritage, culture or science | Formartine | 3,943.99 | 2,001.05 |
| | | 3,943.99 | 2,001.05 |
| 10 West Garioch (Garioch Area) Ward 10 - prevention/relief of poverty and those in need | Garioch | 172.75 | 32.48 |
| | | 172.75 | 32.48 |
| 11 Inverurie & District (Garioch Area) Ward 11 - prevention/relief of poverty and those in need | Garioch | 68,580.89 | 21,270.34 |
| | | 68,580.89 | 21,270.34 |

| | | | | |
|------------------------|---|---------------------|-------------------|-------------------|
| 12 | East Garioch (Garioch Area) Ward 12 - prevention/relief of poverty and those in need | Garioch | 4,983.48 | 1,170.03 |
| | | | 4,983.48 | 1,170.03 |
| 14 | Huntly, Strathbogie & Howe of Alford (Marr Area) Ward 14 - prevention/relief of poverty and those in need | Marr | 27,853.26 | 24,419.78 |
| 14 | Huntly, Strathbogie & Howe of Alford (Marr Area) Ward 14 - advancement of education | Marr | 0.00 | 0.00 |
| 14 | Huntly, Strathbogie & Howe of Alford (Marr Area) Ward 14 - any of the purposes of ACT2 | Marr | 50,101.40 | 17,663.02 |
| | | | 77,954.66 | 42,082.80 |
| 15 | Aboyne, Upper Deeside and Donside (Marr) Ward 15 - prevention/relief of poverty and those in need | Marr | 5,318.31 | 1,921.53 |
| | | | 5,318.31 | 1,921.53 |
| 16 | Banchory & Mid Deeside (Marr) Ward 16 - prevention/relief of poverty and those in need | Marr | 1,730.26 | 2,038.83 |
| 16 | Banchory & Mid Deeside (Marr) Ward 16 - advancement of the arts, heritage, culture or science | Marr | 5,487.16 | 344.06 |
| | | | 7,217.42 | 2,382.89 |
| 17 | North Kincardine (Kincardine & Mearns) Ward 17 - prevention/relief of poverty and those in need | Kincardine & Mearns | 163.93 | 300.00 |
| | | | 163.93 | 300.00 |
| 18 | (Revenue) Stonehaven & Lower Deeside (Mearns Area) Ward 18 - prevention/relief of poverty and those in need | Kincardine & Mearns | 208.83 | 1,684.26 |
| 18 | Stonehaven & Lower Deeside (Mearns Area) Ward 18 - any of the purposes of ACT2 | Kincardine & Mearns | 4,240.47 | 405.00 |
| | | | 4,449.30 | 2,089.26 |
| 19 | Mearns (Kincardine & Mearns) Ward 19 - prevention/relief of poverty and those in need | Kincardine & Mearns | 83,156.14 | 2,567.19 |
| | | | 83,156.14 | 2,567.19 |
| | | | 290,948.82 | 157,028.71 |
| Care and Repair | | | | |
| | Support of needy residents of care and repair service | | 48,473.90 | 1,242.00 |
| | | | 48,473.90 | 1,242.00 |

Appendix 2

| Interest Received £ | Name and Purpose | |
|------------------------|---|--|
| 247.32 | Banff & District (Banff & Buchan) Ward 1 - prevention/relief of poverty and those in need | |
| 158.98 | Troup (Banff and Buchan) Ward 2 - prevention/relief of poverty and those in need | |
| 10.74 | Troup (Banff and Buchan) Ward 2 - advancement of public participation in sport | |
| 3.20 | Fraserburgh & District (Banff and Buchan Area) Ward 3 - prevention/relief of poverty and those in need | |
| 12.55 | Central Buchan (Buchan Area) Ward 4 - prevention/relief of poverty and those in need | |
| 3.76 | Peterhead North & Rattray (Buchan) Ward 5 - prevention/relief of poverty and those in need | |
| 39.35 | Turriff & District (Formartine) Ward 7 - prevention/relief of poverty and those in need | |
| 35.27 | Mid Formartine (Formartine Area) Ward 8 - advancement of the arts, heritage, culture or science | |
| 533.03 | Inverurie & District (Garioch Area) Ward 11 - prevention/relief of poverty and those in need | |
| 36.50 | East Garioch (Garioch Area) Ward 12 - prevention/relief of poverty and those in need | |
| 378.83 | Huntly, Strathbogie & Howe of Alford (Marr Area) Ward 14 - prevention/relief of poverty and those in need | |
| 402.06 | Huntly, Strathbogie & Howe of Alford (Marr Area) Ward 14 - any of the purposes of ACT2 | |
| 42.95 | Aboyne, Upper Deeside and Donside (Marr) Ward 15 - prevention/relief of poverty and those in need | |
| 22.36 | Banchory & Mid Deeside (Marr) Ward 16 - prevention/relief of poverty and those in need | |
| 34.60 | Banchory & Mid Deeside (Marr) Ward 16 - advancement of the arts, heritage, culture or science | |
| 2.75 | North Kincardine (Kincardine & Mearns) Ward 17 - prevention/relief of poverty and those in need | |
| 11.23 | (Revenue) Stonehaven & Lower Deeside (Mearns Area) Ward 18 - prevention/relief of poverty and those in need | |
| 27.56 | Stonehaven & Lower Deeside (Mearns Area) Ward 18 - any of the purposes of ACT2 | |
| 17.29 | Mearns (Kincardine & Mearns) Ward 19 - prevention/relief of poverty and those in need | |
| 1.21 | West Garioch (Garioch Area) Ward 10 - prevention/relief of poverty and those in need | |
| 2,021.54 | | |

