

## TRUST COMMITTEE

MINUTES of a meeting held on 24<sup>th</sup> April, 2006.

Present: Councillor F.T. Johnson (Chairman); Councillors J. Clifford, Miss J. Cole, Mrs. S.I. Sharpe and E.T. Williams.

1033 APOLOGY FOR ABSENCE -

This was received from Councillor A.G. Powell.

1034 MINUTES -

RESOLVED - T H A T the minutes of the meeting held on 21<sup>st</sup> March, 2006 be approved as a correct record.

1035 DECLARATIONS OF INTEREST -

No declarations were received.

1036 ITEM WHICH THE CHAIRMAN HAD DECIDED WAS URGENT -

RESOLVED - T H A T the following matter, which the Chairman had decided was urgent for the reason stated, be considered.

1037 LETTER FROM MR. M.J. CLAY -

### **Urgent by virtue of the need to inform the Members of the Committee**

The Chairman provided Members with a copy of a letter he had received from the Chairman of the Sir Thomas Mansel Franklen Trust, Mr. M.J. Clay, the contents of which read:

“I have now heard from the Charity Commission, although I have not been able to put their reply before my committee due to school holidays.

However their letter appears to confirm the position of your Committee as both Custodian Trustee and Managing Trustee of Charity Numbered 1. The decisions regarding investment of the capital funds therefore lie with your Committee as Managing Trustee. It was this latter point that my committee did not understand and which led to our difficulties with your Committee, for which I apologise.

I am very glad to note that the Independent Financial Adviser is reporting to your Committee shortly. I would reiterate my plea that the portfolio might be so constructed that the TMF Trust receives its income on a fairly regular basis, preferably quarterly, so that we can plan our support for the school. It would also be of great help if the Independent Financial Adviser's forecast of income from the portfolio, less administration charges, could be made known to us so that we are able to build a budget for the beneficiaries."

Having considered the contents of the letter, it was

RESOLVED -

- (1) T H A T the contents of the letter be noted.
- (2) T H A T a suitable response to Mr. Clay be made by the Chairman of the Committee.

1038 EXCLUSION OF PRESS AND PUBLIC -

RESOLVED - T H A T under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act, the relevant paragraphs of the Schedule being referred to in brackets after the minute heading.

1039 INVESTMENT REPORT (EXEMPT INFORMATION - PARAGRAPH 8) -

Ms. Marlene Shalton, Independent Financial Adviser was in attendance for this item.

The meeting of the Committee on 21<sup>st</sup> March, 2006 had requested that the Independent Financial Adviser provide a balanced portfolio, to include various options for capital growth and investment income of the sums involved.

The Independent Financial Adviser introduced her report, prepared in accordance with the wishes of the Committee. She had noted the request of the Sir Thomas Mansel Franklen Trust that it be provided with an income of £20k. per annum but advised that this level of income in the past had been at the expense of any capital growth. (Ms. Shalton advised that the provision of income at this level had had a harmful effect upon the whole fund and would continue to do so if no changes were made). The Independent Financial Adviser's report contained proposals for a balanced portfolio, with the aim of achieving income and capital growth and with a typical strategic portfolio split of 50% fixed interest and 50% equities. It was explained that the term 'strategic' meant the view that the portfolio should be set up and split between asset classes for an economic cycle of 5-7 years.

It was also pointed out to Members that the value of investments, and any income derived from them, may fall as well as rise.

Ms. Shalton had considered how best to obtain exposure to the markets, i.e. whether via a portfolio of collectives or individual shares, and recommended that the equity commitment should be obtained via collectives, and the fixed income via a segregated portfolio of individual gilts and corporate bonds.

Ms. Shalton recommended that the investments be managed on a discretionary basis by Evergreen via 7IM and a Manager of Managers process by MLC to provide the Trust with exposure to both global equity markets and alternative asset classes, as well as two distinctive approaches by two separate investment houses.

Ms. Shalton concluded that it was unrealistic to maintain the Trust's current income without ultimately impacting upon the health of the primary Trust. Without the changes proposed, which Ms. Shalton asserted were a suitable compromise, the future of the Trust's assets would be in jeopardy. Any lower ratio of equities to fixed interests would create the income that the Sir Thomas Mansel Franklen Trust may wish for but would not be in keeping with the responsibilities of the trustees to the Cowbridge Grammar School Trust.

The following question and answer session ensued:

<u>Question</u>	<u>Answer</u>
What was the level of risk to the investments contained in the Independent Financial Adviser's proposals?	The exact level of risk would depend on the contents of the portfolio. Overall, the level of risk would be considered to be 'medium' over an economic cycle of 5-7 years, but the position would be reviewed annually. It was again stressed that the value of investments may fall as well as rise.
When could the investment income be paid to the Sir Thomas Mansel Franklen Trust?	Payments could be made during the year although it would be advisable if the first years investment income were paid in arrears.
Why is there no mention of the Charibonds or Charinco's which are presently held by the Trust?	They do not form part of the proposed portfolios because they will not assist in the rebalancing exercise. The Independent Financial Adviser recommended that they be sold and that the proceeds be re-invested within the proposed portfolio.

The Independent Financial Adviser was asked to provide details of the fees and charges that would accrue to the Trust.	The details were provided to Members by the Independent Financial Adviser in her report.
How will a valuation of the assets be obtained?	Valuations are available online and can be obtained at any time.
Do the investments comply with the requirements of the Charities Act?	The Independent Financial Adviser provided an assurance that they will.
When is the best time to start with the proposals?	As soon as possible.
What would the involvement of the Trust Committee be should the proposals be implemented?	The Trust Committee would receive six monthly reports on the investments and would receive an annual report from the Independent Financial Adviser.

Following the conclusion of the question and answer session, and having given due consideration to the issues raised, it was

RESOLVED -

- (1) T H A T the assets (excluding land and buildings) of the Cowbridge Comprehensive School Trust including the Charinco and Charibond shares, be invested in accordance with the recommendations of the Independent Financial Adviser.
- (2) T H A T, the clear income of the investments be transferred to the Sir Thomas Mansel Franklen Trust annually, in arrears initially and that this decision be reviewed in subsequent years.
- (3) T H A T the Chairman of the Sir Thomas Mansel Franklen Trust be informed of the decision to, initially, transfer the clear income of the investments on an annual basis, in arrears.