

Committee(s):	Date(s):
Port Health and Environmental Services	11 Mar 2014
Subject: Signor Pasquale Favale Bequest Investments	Public
Report of: Chamberlain	For Decision

Summary

The Signor Pasquale Favale Bequest, which awards marriage dowries to 'poor honest young women', currently holds £3,773 (33%) of its assets as cash, and £7,649 (67%) as investments in the form of City of London Charities Pool units.

The report proposes increasing the proportion of assets held as investments in order to maximise growth of the Bequest, whilst still being able to achieve its aims through the award of dowries.

Recommendation(s)

Members are asked to:

- Approve the purchase of City of London Charities Pool units such that the remaining cash balance of the Bequest at 1 April 2014 is between £750 and £800.
- Review the Bequest's holding of Charities Pool units at three-yearly intervals hereafter, and authorise the Chamberlain to sell units if the cash balance falls below £450 before the next review takes place.

Main Report

Background

1. Your Committee is responsible for the Signor Pasquale Favale Bequest, which was left to the City in 1882 for the purpose of awarding marriage 'portions', or dowries, to 'poor honest young women' who meet certain criteria.
2. In January 2012, your Committee agreed that the amount of the dowries should be increased to £150 each. The Bequest originally allowed for the award of three dowries, but there is currently no limit on the number of dowries that can be awarded, so long as there are sufficient funds.

Current Position

3. The original donation and accumulated revenue surpluses up to 31 March 1983 have been invested in the City of London Charities Pool. This is an

investment mechanism operating in a similar way to a unit trust, which enables the City to 'pool' small charitable investments together and consequently obtain better returns than would be the case if investments were made separately. This provides revenue income by way of a dividend, together with capital growth in the value of the investment.

4. The accumulated revenue surplus since 1983 is held as cash. Interest is earned on this cash balance.
5. The assets of the Bequest as at 1 April 2013 are shown in the table below.

	Unrestricted Funds General	Endowment Fund	Total
	£	£	£
Fixed Assets			
Investments (Charities Pool)	-	7,649	7,649
Total Fixed Assets	-	7,649	7,649
Current Assets (Cash)	3,773	-	3,773
Total Net Assets	3,773	7,649	11,422

6. Since 2010/11, the number of successful applications for dowries has been between one and four, to a maximum annual cost of £600 (at the current level). Revenue income over the same period has averaged £332 per annum.
7. The cash balance (which represents 33% of the total assets) is therefore far in excess of the amount required to meet the cost of dowries in any one year, and the surplus could be used to increase the investment in the Charities Pool. The next opportunity to buy Charities Pool units is 31 March 2014.
8. Converting assets from cash to investments will benefit the Bequest by a combination of increased revenue, as the dividend return on Charities Pool units is typically at least 1% higher than the interest on cash balances, and capital growth in the value of the investments.
9. The purchase price of Charities Pool units will be based on their value at 31 March 2014, but is likely to be around £7.90 based on recent capital growth rates. The value at 30 September 2013 was £7.55, an increase of 4.4% over the value at 31 March 2013 of £7.23.
10. The annual revenue income is sufficient to fund two dowries of £150. To be able to award more than two dowries, some of the existing cash should be retained.
11. The table overleaf shows a forecast of opening cash and investment balances for the next five years, based on current dividend, growth and interest rates, an average of three dowries per year, and assuming that £3,200 of the existing cash is used to purchase Charities Pool units at the end of 2013/14.

	Opening Balance				
	2014/15	2015/16	2016/17	2017/18	2018/19
	£	£	£	£	£
Fixed Assets					
Investments (Charities Pool)	11,536	12,576	13,703	14,933	16,280
Total Fixed Assets	11,536	12,576	13,703	14,933	16,280
Current Assets (Cash)	750	665	579	491	401
Total Net Assets	12,286	13,241	14,282	15,424	16,681

12. It can be seen that by 2018/19, the opening cash balance would be insufficient to fund the award of three dowries in that year. Any change in the underlying assumptions will affect how soon the cash balance would be depleted to this level. The assets of the Bequest will therefore need to be reviewed before 2018/19 to determine whether Charities Pool units need to be sold to replenish the cash balance.

Proposals

13. It is proposed that Charities Pool units should be purchased such that the opening cash balance for 2014/15 is between £750 and £800. The precise number and cost of units to be purchased will be dependent on the final dividend and interest income for 2013/14, and the price of the units at 31 March 2014.
14. It is further proposed that your Committee review the Bequest's holding of Charities Pool units at three-yearly intervals, to ensure that the balance between cash and investments remains appropriate. In order that it is possible to award at least three dowries in any given year, it is also proposed that the Chamberlain be authorised to sell Charities Pool units if the cash balance falls below £450 before the next review takes place.

Implications

15. Converting assets from cash to investments will maximise the value of the Bequest, as a greater proportion of the assets will be subject to capital growth. However, reducing the cash may restrict the number of dowries that can be awarded if the number of applications in any given year exceeds the revenue funds available. A balance therefore needs to be maintained between growth and the aims of the Bequest.

Conclusion

16. The Bequest can sustain the annual award of three dowries of £150 each for the next four years based on the assumptions contained in this report. Regular review of the holdings of the Bequest will ensure that its aims can be met whilst maximising capital growth of its assets.

Appendices

- None

Background Papers:

'Pasquale Favale' report of the Town Clerk, 12 November 2013

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