

Association of Jersey Charities

Annual General Meeting – Discussion Paper: Future Grants Programme (updated 16 September 2020)

Introduction

The Association has been building a reserve grants fund over the last 10 years so that it could maintain a grants programme if it ceased to be the distributor of the CI Lottery profits.

A distributor has not yet been appointed for the 2019 lottery profits, however the AJC was awarded the balance of the 2018 profits of some £374k on 9 September 2020. As no decision on the 2019 lottery profits is expected before the AGM, the time has come to consider when and how to release funds from the reserve assuming the AJC does not receive any further lottery profits and does not generate any other significant source of funding for grants.

The reserve fund forms the entirety of our investment portfolio and therefore the need to withdraw funds could not have come at a worse time with stock market volatility driven by the Covid19 pandemic, among other things.

Options considered by the Committee

The Committee recognises that the sector's need for grant funding is likely to be significant in the next 12 to 18 months as charities themselves recover from the impact of the pandemic on their activities and fund-raising abilities. Accordingly, the Committee took the view that maximising available grant funding, as sustainably as possible, on current terms was the desired objective.

This presents two possible options:

- Sale of half of the investment portfolio over the next 12 to 18 months - being the whole of the distributable element of the investment fund – raising £1,072,500 for distribution but with the consequence that from mid- 2021 only one application cycle per year would be possible with just £97,500 pa to distribute. Further, this would require the express consent of the Trustees of the original settlement which may not be forthcoming; or
- A managed reduction in the investment portfolio raising the same sum, supplemented by the annual amortisation, over the next 5 years.

The option of not releasing any funds from the investment portfolio for the time being and therefore suspending the grants programme was dismissed as not being in the best interests of members. The sale and distribution of the entirety of the investment portfolio is not permitted under the terms of the original donation.

Committee conclusions

In reaching its conclusions, the Committee took into account a number of factors:

- Although the Association may not be the lottery distributor, a new distributor will be appointed and members will still have access to lottery funds from that entity (2019 profits were £1.3million);
- The Jersey Community Foundation has been awarded up to £2million from the Reclaim Fund (dormant bank accounts);
- The Association will therefore no longer be the first port of call for grants from public funds;
- Stock markets are volatile and a planned sale of half the portfolio short term would crystallise the current low net gain position and reduce opportunities for profit taking in the future;
- The Committee is actively seeking other funding to supplement the grants programme.

Accordingly, the Committee is pursuing a planned reduction in the investment portfolio over the next 5 years which will, unless there is a further significant downturn in markets, allow it to commit to a minimum annual sum available to members for grants until such time as the reserve fund is fully utilised. Details of the projected minimum sums are in the following table. In discussion with the Association's Investment Manager and Investment Consultant, it was agreed to release £200,000 from the portfolio in the current financial year of which £100,000 has already been raised.

Projected minimum grant funding available from member and lottery funds (excludes Ocorian Trustees & Appeal)

Capital sum available	As at 31/3/20	Release y/e 31/3/21	Release y/e 31/3/22	Release y/e 31/3/23	Release y/e 31/3/24	Release y/e 31/3/25	Release y/e 31/3/26	Release after 1/4/26
No discretion on timing	975,000	97,500	97,500	97,500	97,500	97,500	97,500	390,000
Discretion on timing *	975,000	102,500	402,500	202,500	202,500	65,000		
Lottery funds held	359,582	359,582						
Lottery funds committed		374,000						
Minimum grant funding		933,582	500,000	300,000	300,000	162,500	97,500	390,000
Realised & unrealised gains *	570,239							
Total available	2,879,821							

* The AJC is asking the Trustees of the original settlement to allow gains to be treated in the same way as income from the portfolio and therefore to be distributable at any time, rather than on the same terms as capital (over 20 years). It is also asking the Trustees to confirm they have no objection to the proposal outlined above.

The investment strategy will of course be kept under review in light of future events and in particular by taking advantage of upturns in investment markets to crystallise gains and release more cash when possible.

At the Annual General Meeting, members will be asked to indicate their support for the above strategy.

Consequences

It will, sadly, be clear from the above that the Association's current maximum grant and quarterly grant cycle are not sustainable long term. The Committee anticipates being able to continue with quarterly applications and a maximum grant of £30,000 at least until 31 March 2022 but once the available grant funding drops below £500,000pa this would reduce to 2 cycles per year with a lower maximum and once below £300,000 pa to 1 cycle per year with a further reduction in the maximum. Members may currently apply for a grant once in every 12 months – which may be reduced to once in every 24 months in future.

The Committee recommends deferring any decision on those aspects until the 2021 AGM.

It goes without saying that the "large grant" programme has to be terminated as does the "3-year funding" programme for amounts in excess of £30,000 in total, however applications for £30,000 payable in 3 instalments will still be accepted.

Members could also ask the Committee to revisit all of its grant criteria and, for example, to prioritise grants to charities operating in certain sectors or meeting other criteria with regard to size. However, the Committee does not recommend such a course of action at this time and suggests applications should be open to all eligible members on equal terms. The Grants Committee has full discretion to approve or reject applications on the basis of need (financial or otherwise) and believes this is sufficient to ensure an equitable distribution of funds for the time being.

Marie du Feu

Grants Officer

16/9/20