

Investments & Contracts Committee

Minutes of the meeting held on 5 November 2019

PRESENT: K P Hughes, T LI Hughes MBE, R LI Jones, A M Jones,
G O Jones, Alun W Mummery, Dafydd Roberts,
Dafydd Rhys Thomas and Robin Williams.

IN ATTENDANCE: Treasurer.

**Officers from the Isle of Anglesey County Council (therein
referred to by their IOACC job titles)**

Capital & Treasury Management Accountant (GR),
Committee Officer (MEH).

APOLOGIES: Richard O Jones – Vice-Chair of the Isle of Anglesey Charitable
Trust.

ALSO PRESENT: Ms Carli Watson – Relationship Manager - HSBC Global
Management (UK) Limited,
Mr Robert Steward – Charity Investment Counsellor - HSBC Global
Management (UK) Limited.

1 ELECTION OF CHAIRPERSON

Mr T LI Hughes MBE was elected Chairperson.

Mr Hughes thanked the Members for their confidence in him.

2 ELECTION OF VICE-CHAIRPERSON

Mr Dafydd Roberts was elected Vice-Chairperson.

3 DECLARATION OF INTEREST

None received.

4 MINUTES

The minutes of the meeting held on 6 November, 2018 were confirmed.
*(Minutes confirmed by the Isle of Anglesey Charitable Trust held on 12 December,
2018).*

5 INVESTMENT MANAGEMENT

Submitted – the HSBC Global Management (UK) Limited report up to October
2019.

The representatives from HSBC gave a detailed overview of the Charitable Trusts' investment portfolio. It was reported that over the last twelve months the financial markets have faced uncertain periods with inflation eroding the value of cash holdings. The opportunity cost of missing the most profitable days within financial market can be significant and HSBC advice to investors is to not trade in and out of markets on the core part of the portfolio and once invested, it is advised to stay invested and balance the long term objective of the portfolio. It was noted that the financial markets have been settled over the last 10 years but it can be argued that returns have not been as good as in the past and an adjustment needs to be undertaken to adjust the positioning of the investments within certain assets classes; having the proportions of the asset classes is fundamental.

The Relationship Manager HSBC referred to the Annual Suitability Review within the document circulated at the meeting and said that the Charitable Trusts' portfolio remains within a medium risk profile which has a potential for higher returns. The Trust portfolio is invested within the segregated model of the Charities Service Growth and Income Strategy which equates to that the investment is held within individual equities. The Treasurer stated that the income from the investment is utilised for small grants, contribution towards Oriel Ynys Môn, Urdd, Young Farmers and the Island Games. The increase in the capital value of the portfolio is partly used towards Larger Grant applications. The Relationship Manager responded that even when the capital value of the portfolio is decreasing in a particular month or year, the income does not fluctuate to a large degree with a 3% return. A Member of the Committee said that he would like to see the capital rate keep in line with the base rate. The Relationship Manager responded that the companies that the portfolio is invested within are valued based companies and are steady earners. As from last year the income now is reinvested within the Trust portfolio and whenever the Trust requires monies from the investment, due notice is given to HSBC so it may withdraw money at an optimum period within the investment of the Trust.

The representatives from HSBC Global Management (UK) Limited circulated a series of questions as to the expectations of the Trust from the investment portfolio and a questions and answer session was undertaken. Members agreed that the Charities Services Growth and Income Strategy is considered favourable at present for the Trust portfolio.

It was RESOLVED to thank the representatives from HSBC Charities Team for attending the meeting and to accept the report.

6 ALLOCATION OF FUNDING FOR LARGER GRANTS

Submitted – a report by the Treasurer in relation to the allocation of funding for larger grants in 2020.

The Treasurer reported that over the past four years, the Isle of Anglesey Charitable Trust set aside a sum of money to fund successful applications for larger grants (over £8,000). In 2016, £200,000 was allocated and in 2017, 2018 and 2019, £350,000 was allocated. He noted 29 applications from organisations requesting assistance was received in 2019 with 12 applications being successful

with the full £350,000 allocated as grants. The Treasurer further said that large grants have always been funded from any increase in the capital value of the investment portfolio. Any revenue generated from the investments in terms of interest and dividends received have always been used to fund the smaller grants. The comparison of the capital value of the portfolio between 30 September, 2018 and 30 September, 2019 was shown at Table 1 within the report. It was noted that in November 2017, the Committee agreed to set the value of the funding at 20% of the increase in the capital value of the investment portfolio and in November 2018, the Investment Manager reported an increase in the capital value of the investment portfolio and the Committee resolved to keep the value of the funding at £350,000.

Allocating 20% of the increase in the capital value this year would only provide a fund of £70,000 which may be insufficient to meet the demand, whilst allocating £350,000, as in previous years would result in a reduction in the capital value of the investment portfolio. The Treasurer said that Charitable Trust has not guaranteed funding for Larger Grant on a yearly basis; it has been dependent on the value of the investment and if the Committee decides to allocate a sum of £340,000 (which is 100% of the increase in the capital value) and taking into account inflation this will reduce the value of the fund.

The Treasurer noted that the investment portfolio has now transferred across to the Charitable Incorporated Organisation, the Isle of Anglesey Charitable Organisation. The Charitable Organisation is yet to meet, and therefore has not set out how it intends to use the funding in the future as regards to small and larger grants.

The Committee considered the report and raised the following:-

- Reference was made that allocating a specific fund towards Larger Grants does not necessarily mean that the whole sum will be distributed. The Treasurer responded that the full Trust will make a decision as to whether Larger Grants allocation is to continue or whether it supports the recommended sum suggested by the Investments and Contracts Committee. The Regeneration Committee will thereafter receive the applications for Larger Grants and decide whether to support the applications received if they comply with the required criteria;
- Questions raised as to whether there is grants not claimed from previous years with the Larger Grants allocation. The Treasurer responded that organisations who have received grants has up to 4 years (within the criteria of the Trust) to complete their projects. He further said that the whole of the allocated £350,000 was distributed in 2018/19;
- Questions raised as to whether £200k-£250k would erode the value of the Trust fund. The Treasurer responded the Trust fund has over £22m and he considered that allocating £200k-£250k will not reduce the income of the Trust fund;
- Some Members considered that it was important to safeguard the value of the Trust portfolio and not to allocate grant allocations towards Larger Grants.

Following the vote it was **RESOLVED to recommend to the Isle of Anglesey Charitable Trust not to allocate grant allocations in 2020 towards Larger Grants as it would reduce the value of the Trust fund.**

Mr T LI Hughes MBE
Chair