

HENLEY-ON-THAMES TOWN COUNCIL

MINUTES OF THE FINANCE
STRATEGY & MANAGEMENT
COMMITTEE HELD ON 2
OCTOBER 2018 AT 7.30 PM,
THAMES ROOM, RIVER &
ROWING MUSEUM HENLEY-
ON-THAMES.

Present: The Mayor, Councillor Glen Lambert
The Deputy Mayor, Councillor Ken Arlett
Councillor Sara Abey
Councillor Julian Brookes
Councillor Stefan Gawrysiak
Councillor Will Hamilton
Councillor Lorraine Hillier
Councillor Laurence Plant
Councillor Ian Reissmann (Vice Chair)
Councillor Jane Smewing (Chair)

In attendance: Janet Wheeler– Town Clerk
Liz Jones – HTC Accountant/RFO
Hilary King – Committee Administrator
1 member of the media

36. **APOLOGIES FOR ABSENCE**

None.

37. **DECLARATIONS OF INTEREST**

Councillor Lorraine Hillier – Min 41 Grant (Aliquando Choir) – catering supplier to the choir – personal.

38. **PUBLIC PARTICIPATION SESSION**

There were no members of the public present.

39. **MINUTES**

The Minutes of the meeting of the Finance Strategy and Management Committee held on 24 July 2018 were received, approved and adopted and signed by the Chairman as a true record.

Councillor Sara Abey joined the meeting at 7.35

40. **PRESENTATION BY THE INVESTMENT MANAGERS, INVESTMENT REPORT and INVESTMENT STRATEGY 2019-20.**

Investment Managers (IMs)

The Chair invited Charles Heaton (Investec) and Nick McGregor (Redmayne Bentley) to the table to address the meeting on the subject of the Council's investments.

Both IMs had produced handouts which supplemented the figures previously circulated by the HTC Accountant. A copy of both handouts will be filed with the office copy of these minutes and will be available for inspection.

Charles Heaton talked through his handout and explained that the portfolio managed by Investec showed a 2.3% return which was below the benchmark set by the Council of RPI + 3.5%. The main reason for this was that the IM had been chasing income (on which the Council was heavily dependent) at a time when this type of asset was underperforming, and that the UK equity market was generating low capital growth. There was also under-exposure to the high performing US stocks.

He advised that should there be a hard Brexit, sterling was expected to fall but equities would rise (due to overseas earnings) whereas a softer Brexit would see the opposite occur.

Other issues covered included:

- International investors shunning the UK market.
- The Council's portfolio needing to be re-positioned possibly to have greater exposure to the US market.
- Markets in Asia are struggling as they have taken on so much US debt.
- China and US trade war could be a continuing factor.
- Markets in South America are experiencing volatility and dramatic currency falls.
- US interest rates are expected to rise with the increasing withdrawal of liquidity.
- Markets are becoming more volatile as there is less stimulus (i.e. quantitative easing) to prop them up.
- It is predicted that there should be good long term economic growth around the world as weaknesses, previously identified in financial systems, have largely been resolved. However, the fixed interest area would continue to show reduced returns.
- Future concerns include the net debt to earnings ratio along with the very high US market value.
- It was important that the Council's portfolio contained quality assets.

In answer to questions Charles confirmed that despite the number of companies in the Fortune 500 apparently being in decline, there was a need to capture growth in new businesses. This may involve foregoing some income to invest in companies with growth potential.

A 'no deal' Brexit may result in a lower corporation tax rate being introduced which would encourage growth. However, from an investment point of view, it was felt that Brexit was not a great issue. The Council's portfolio was not exposed to any industries (e.g. the car industry) that were particularly likely to be disrupted.

There was a general discussion regarding the income paid over through dividends to the Council versus investing in companies for their growth potential and then selling those stocks. Although this may initially put less pressure on income generation, it would need a change to the HTC mandate and it could result in stocks being sold at a low point to meet drawdown requests which would not be desirable.

Nick McGregor also spoke to his handout and agreed with all the points made by Charles Heaton. The Portfolio managed by Redmayne Bentley had produced a total return of 4.6% for the year. It was expected that the portfolio would deliver £83k of income, assuming there were no drawdowns.

Both IMs agreed that the Council's mandate should not be changed at this date but could be reviewed next year after the effect of Brexit was clearer.

In answer to a question regarding ethical investments, both IMs agreed it was difficult to quantify what 'ethical' meant as there were different views on what was and wasn't acceptable. It was possible to have a portfolio structured in that way but the Council would need to supply the guidelines and also accept that the income produced may be lower than at present.

As there were no further questions, the Chair thanked both Charles Heaton and Nick McGregor for their time and informative presentations and looked forward to seeing them both in 12 months.

Investment Report and Investment Strategy 2019-20

The HTC Accountant explained that she had requested £90k worth of income from Investec and £80k from Redmayne Bentley (before drawdown). However, there was likely to be a drawdown sometime after Christmas which would impact on these figures bringing the joint income to closer to £165k.

There were no other comments on, or changes to, the Investment Strategy document.

It was RESOLVED to RECOMMEND that

**the contents of documents 1 to 5 attached to the agenda be noted;
and**

Councillors approve an income figure of £165k for inclusion in the 2019-20 budget, after drawdowns of £100k from each fund manager. This would equate to target income of £90k from Investec and £80k from Redmayne Bentley before drawdowns.

41. GRANTS

COMMUNITY GRANTS

The Committee reviewed each of the grant applications.

Historically, a greater number of grant applications were received for the February/March FS&M meeting, so it was agreed that less than half the annual budget (of £12k) should be spent at this meeting.

There was a general reluctance to support organisations/events where the primary objective was to raise money to donate to other causes. It was felt that the Council should decide where Council monies were directed rather than a third party. This was not to say the causes supported were not worthy.

After further consideration of each application, the awards to the applicants were agreed.

It was RESOLVED that the following grants be awarded:

Berks MS Therapy Centre	£1,000
Regatta for the Disabled	£ 500
Bishopswood School Association	£1,000
HoT Rotary Club	£ 275⁽¹⁾
Jeux d'Esprit	£ 267⁽¹⁾
Air Cadets	£1,000
Friends of Trinity School (FOTS)	<u>£ 551⁽¹⁾</u>
	£4,593
Christ Church Centre	£1,500

⁽¹⁾ Free use

The Applications from Aliquando and Chiltern Arts were both unsuccessful.

It was agreed that the grant to the Christ Church Centre (for the running of the memory café) should be taken from the Bluebells annual grant allocation as opposed to the Community Grants budget.

The meeting closed at 8.55pm

Chairman
3.10.18