

To: Investment Review Board

On: 5 December 2018

Report by: Director of Finance and Resources

Heading: Review of Statement of Investment Principles

1. Summary

- 1.1 The Council has arranged for the investments of the Paisley and Renfrew Common Good Funds to be managed by Standard Life Wealth Limited, and has agreed with the manager a number of principles which govern decisions regarding those investments.
- 1.2 These principles cover a range of issues, such as which benchmark should be employed against which to assess the manager's performance, and any restrictions the manager must observe in choosing sectors or classes of asset in which to invest. These requirements are formalised in a *Statement of Investment Principles* document, and this document is reviewed periodically to ensure that the principles contained therein remain appropriate to the requirements of the Common Good Funds.
- 1.3 The Statement of Investment Principles was last reviewed in November 2017, and is due for review. There are no changes proposed to the existing Statement (attached for information), other than some minor presentational amendments.
- 1.4 Paragraph 7 of the Statement of Investment Principles sets out the Council's approach to the annual income requirement that is set for each fund. The existing levels of income required for both the Paisley and Renfrew Common Good Funds have been unchanged for a number of years, and a recent review of the suitability of these values supports a marginal increase. This review focused on the growth in size

of the capital funds available and the level of actual income yielded by each fund in recent years.

- 1.5 It is proposed that the existing income requirements, as set for each fund in terms of paragraph 7 of the Statement of Investment Principles, be increased for each Fund by approximately 10%. For the Renfrew Common Good Fund this represents an increase from £346,000 per annum to £380,000 per annum, and for the Paisley Common Good Fund this represents an increase from £102,700 per annum to £113,000 per annum.

2. **Recommendations**

- 2.1 To consider and approve the Statement of Investment Principles which is attached to this report.

- 2.2 To approve the undernoted sums as the amended levels of annual income required for each fund, effective from 1 January 2019, in terms of paragraph 7 of the Statement of Investment Principles:

Renfrew Common Good Fund: £380,000 (9.83% increase)

Paisley Common Good Fund: £113,000 (10.03% increase)

Implications of the Report

1. **Financial** – funds generated by the Investment Manager are made available for distribution through grants and other awards agreed by Local Area Committees and the Finance, Resources and Customer Services Policy Board. All funds are managed in line with the requirements of local government and charities regulations, and in line with the Statement of Investment Principles.
2. **HR & Organisational Development** – none
3. **Community Planning** – none
4. **Legal** – none
5. **Property/Assets** – none
6. **Information Technology** – none
7. **Equality & Human Rights** – the recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** – none
9. **Procurement** – none
10. **Risk** – the Statement of Investment Principles outlines a medium level of risk to be adopted by the Investment Manager.
11. **Privacy Impact** – none
12. **COSLA Policy Position** – none

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Renfrewshire Council

Paisley and Renfrew Common Good Funds

Statement of Investment Principles

A: Introduction

Purpose of statement

1. This statement sets out the principles governing decisions regarding the investment of assets of the Paisley and Renfrew Common Good Funds. The Director of Finance and Resources of Renfrewshire Council has issued this statement.

Consultation

2. The Director of Finance and Resources of Renfrewshire Council has consulted with Standard Life Wealth Limited (the Funds' Investment Manager) and with Hymans Robertson LLP (the appointed Investment Adviser) about the content of the Statement.

Investment powers

3. The Director of Finance and Resources has the delegated authority per the Council's Financial Regulations to invest the monies of the Paisley and Renfrew Common Good Funds in or upon such investments, securities or property, as may be thought fit.

Investment policy

4. Other than heritable property, held as investment assets, and cash required in the short-term, the Director and Officers rely on professional investment managers for the day-to-day management of the assets of the Common Good Funds.

Delegation to fund managers

5. The investment manager, Standard Life Wealth Limited, is responsible for the allocation of assets between types of investments and for the selection of individual stocks within each type of investment. The funds are managed on a discretionary basis where the investment manager makes all investment decisions in line with the agreed investment objectives and benchmark.

Investment objectives

6. The investment manager has been instructed to achieve a regular stream of income, and thereafter capital growth, through investing in a combination of UK and overseas equities and fixed interest securities plus cash.

Income objective

7. The Council will, on an annual basis, present the investment manager with an indication of the income required for each fund.

B: Diversification and risk controls

Risk

8. In order to achieve the stated objective, a moderate-risk approach will be adopted that corresponds to a diversified portfolio invested in a broad spread of equities both directly and indirectly through pooled funds but also including a proportion of fixed interest securities, property, cash and such other investments as the Council approves.

Custody

9. Platform Securities LLP acts as custodian for the assets managed by the investment manager.

Manager restrictions

10. The following investment restrictions have been put in place:

- The members of Renfrewshire Council's Investment Review Board believe that social, environmental and ethical considerations are among the factors which its investment managers should take into account, where relevant, when selecting investments for purchase, retention or sale.
- The members consider that public opinion and consumerism is beginning to add a further dimension to corporate life such that companies which act irresponsibly or without consideration for the public view may run serious reputational risk which could have a significant impact upon their earnings and ultimately upon the value of their shares.
- In general terms, this means that there is a group of socially responsible investment concerns that investors need to be aware of and which should be taken into account when the decision whether to invest is being made. This does not mean that the decision whether or not to invest depends entirely on the assessment of these factors but that they should be considered along with all relevant factors when decisions to buy, hold or sell investments are being made.
- The Funds are committed to the development of a positive, practical and sustainable policy on socially responsible investment whilst fulfilling the Funds' fiduciary duties.
- General policy statement:
The Funds require its investment manager to consider social, environmental and ethical factors in making investment decisions. Each investment decision shall be made on a balanced view on the overall investment case for particular sector or stock.
- Specific restrictions:
 - No direct investment in tobacco stocks.
 - A minimum of 15% to be held in fixed interest stocks.
 - No direct investment in companies involved in the manufacture or supply of cluster munitions or anti-personnel landmines; or any military production or sales.

Manager controls

11. Powers of investment delegated to the investment manager must be exercised with a view to giving effect to the principles contained in this statement so far as is reasonably practicable.

Taxation

12. The investment manager will deal with all taxation issues including the recovery of tax suffered by funds. The investment manager shall provide annually an HM Revenue & Customs approved tax voucher with supporting schedules detailing dividend income received.

Performance measurement information

13. The Council will monitor the performance of the portfolio against its objectives on a quarterly basis. The performance will be measured against a composite benchmark as follows:

Asset class	Benchmark	Proposed weighting
UK equities	FTSE All-Share Index	60%
Overseas equities	FTSE World Ex-UK Index	20%
Fixed interest securities	FTA All-UK Government Stocks	18%
Cash	UK Interbank 7-day	2%
		100%

The Council will review the suitability of the benchmark annually.

Reporting

14. The investment manager will prepare an investment report on the fund every quarter and will attend every quarter an officer review meeting with the Council's Director of Finance and Resources and his advisors. The investment manager will also attend bi-annual meetings of the Council's Investment Review Board.

Frequency of review

15. The Council will review this statement annually, or sooner if there is a change in the policy or any of the areas covered by this statement.