

Notice of Meeting and Agenda Investment Review Board

Date	Time	Venue
Wednesday, 22 November 2023	11:00	Remotely via MS Teams,

MARK CONAGHAN
Head of Corporate Governance

Membership

Councillor John Shaw (Convener): Councillor Iain Nicolson (Depute Convener): Councillor Alison Ann-Dowling: Councillor Jacqueline Cameron: Councillor David McGonigle.

Recording of Meeting

This meeting will be recorded for subsequent broadcast via the Council's internet site. If you have any queries regarding this please contact committee services on democratic-services@renfrewshire.gov.uk

To find the recording please follow the link which will be attached to this agenda once the meeting has concluded.

Items of business

Apologies

Apologies from members.

Declarations of Interest and Transparency Statements

Members are asked to declare an interest or make a transparency statement in any item(s) on the agenda and to provide a brief explanation of the nature of the interest or the transparency statement.

- | | | |
|----------|---|----------------|
| 1 | Minute of Previous Meeting | 3 - 4 |
| | Minute of previous meeting held on 7 June 2023. | |
| 2 | Paisley and Renfrew Common Good Funds Six Month Report to 30 September 2023 | 5 - 16 |
| | Report by Director of Finance & Resources. | |
| 3 | Paisley and Renfrew Common Good Funds: review of Investment Policy Statement | 17 - 26 |
| | Report by Director of Finance & Resources. | |
| 4 | Date of Next Meeting | |
| | Members are asked to note that the next meeting of the Investment Review Board is scheduled for 12 June 2024. | |

Minute of Meeting Investment Review Board

Date	Time	Venue
Wednesday, 07 June 2023	11:00	Remotely via MS Teams,

Present: Councillor Alison Ann-Dowling, Councillor Jacqueline Cameron, Councillor Iain Nicolson, Councillor John Shaw

Present

C McCourt, Head of Finance & Business Services; G Borland, Finance Manager, J Barron and D Cunningham, both Assistant Committee Services Officers (all Finance & Resources).

Also in Attendance

D Watson, Investment Research Associate, Hymans Robertson LLP; and C Joiner, Senior Portfolio Manager, abrdn Capital Limited.

Apology

Councillor D McGonigle.

Recording of Meeting

Prior to the commencement of the meeting, the Convener intimated that this meeting of the Policy Board would be recorded and that the recording would be available to watch on the Council's website.

Declarations of Interest

There were no declarations of interest intimated prior to the commencement of the meeting.

1 **Minute of Previous Meeting**

There was submitted the Minute of the meeting of the Investment Review Board, held on 16 November 2022. It was advised that G Borland's title was incorrect in the sederunt, as his title is Finance Manager rather than Principal Accountant.

DECIDED: That the Minute be approved subject to the amendment.

2 **Paisley and Renfrew Common Good Funds six-month report to 31 March 2023**

There was submitted a report by the Director of Finance and Resources together with a presentation by D Watson from Hymans Robertson LLP, relative to the Paisley and Renfrew Common Good Funds, a review of investment income and the key issues pertaining thereto. C Joiner, Charities Portfolio Manager (Scotland) abrdn (formerly Aberdeen Standard Capital Limited) also provided a presentation relative to the Paisley and Renfrew Common Good fund investments performance.

The presentations referred to a review of the Investment Managers' performance for the six months to 31 March 2023; an update of markets; and the current economic climate, valuation and performance of the funds; asset allocation; and an explanation of performance calculations detailed in appendix 4 to the presentation.

DECIDED: That the report and presentations be noted.



To: Investment Review Board

On: 22 November 2023

Report by: Director of Finance and Resources

Heading: Paisley and Renfrew Common Good Funds
six-month report to 30 September 2023

1. Summary

1.1 Hymans Robertson LLP have been engaged by the Council to provide investment advice pertaining to the Paisley and Renfrew Common Good Funds, and to assess the performance of the Funds' investment managers, LGT Wealth Management (formerly abrdn Capital Limited).

1.2 A report by Hymans Robertson LLP is attached for Members' consideration. The report provides an assessment of the performance of the Funds' investments and income levels during the six-month period ending 30 September 2023. Hymans Robertson LLP will be represented at the meeting by David Watson (Investment Consultant), who will present his report to Members. Mr Watson will also give a presentation covering an update on markets and the current economic climate.

1.3 In February 2023 LGT Wealth Management announced an agreement with abrdn Capital Limited to acquire its discretionary fund management business in the UK and Jersey. This concluded in September 2023 and LGT assumed the client relationships of the acquired business, including investment management of the Paisley and Renfrew Common Good Funds. A novation is currently underway with the Council's legal and procurement departments to ensure the existing contract agreement made with abrdn Capital Limited is transferred to LGT Wealth Management.

- 1.4 Craig Joiner, Senior Charity Portfolio Manager, LGT Wealth Management, will give a short presentation during which there will be an opportunity for Members to ask questions in regard to the presentation, or the performance of the funds.
-

2. **Recommendations**

- 2.1 To consider the attached report and presentation from Hymans Robertson LLP and the presentation by LGT Wealth Management.
-

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 Partnerships 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 Investment Policy Statement.
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** – novation of the existing investment management contract with abrdn to LGT Wealth Management is underway.
10. **Risk** – none

11. **Privacy Impact** – none
 12. **COSLA Policy Position** – none
 13. **Climate Risk** – none
-

List of Background Papers

None

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Renfrewshire Council Common Good Funds

Review of Investment Managers'
Performance for the 6 months to 30
September 2023

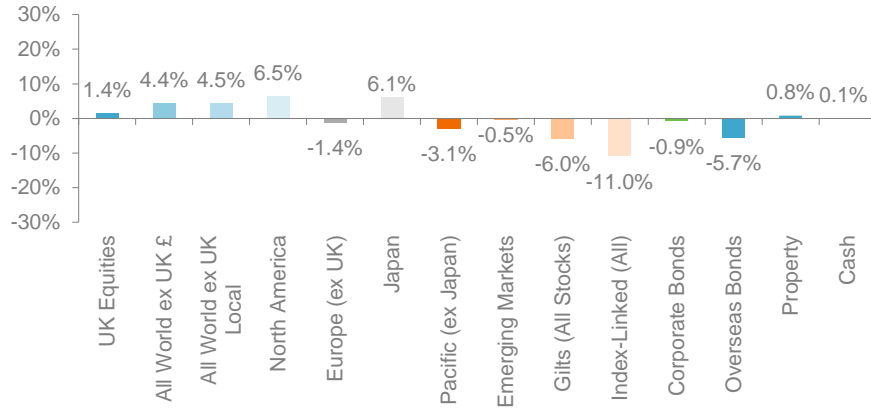
David Watson, Investment Research Associate Consultant

Keziah Nathania, Investment Analyst

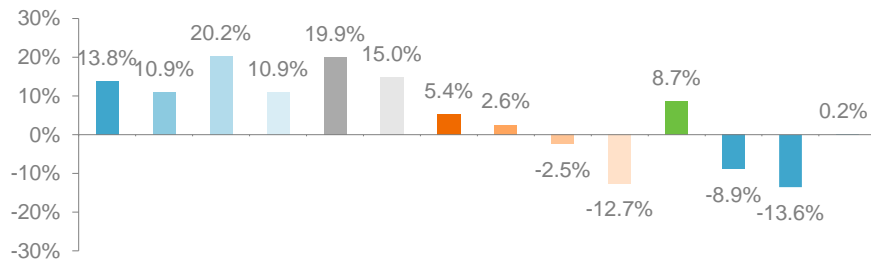


Market Background – 6 Months to 30 September 2023^[1]

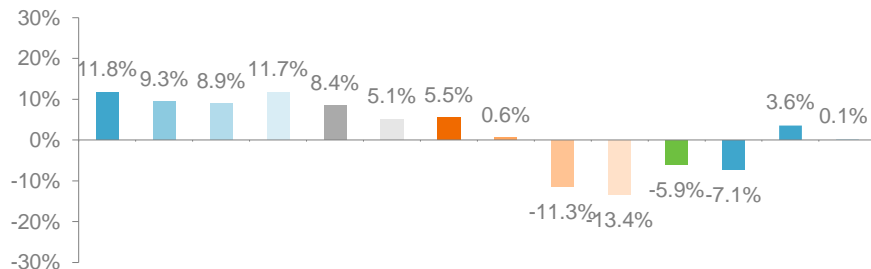
6 Months %



12 Months %



3 Years % p.a.



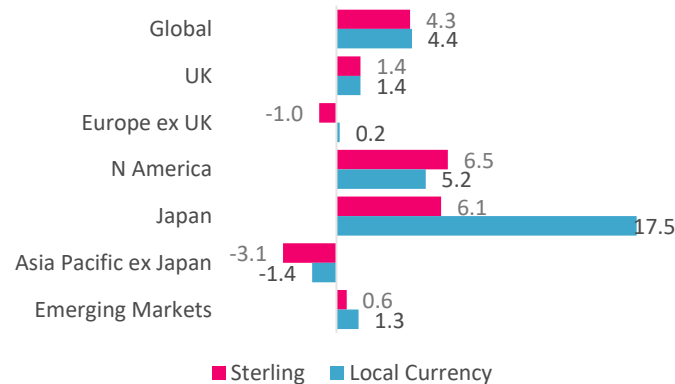
Global growth has slowed in 2023 versus 2022, but less than expected. Pandemic-era savings, fiscal support, and tight labour markets have all supported consumer spending. This, and a normalisation of post-pandemic spending, has buoyed service-sector activity. However, the more energy and rate-sensitive manufacturing sector has been contracting, and survey indicators suggest overall global activity weakened in Q3, as services 'caught down' to manufacturing.

UK and US 10-year yields rose around 1.0% p.a., to 4.5% p.a. and 4.6% p.a., respectively, while German yields rose 0.5% p.a., to 2.8% p.a. UK 10-year implied inflation rose 0.1% p.a., to 3.7% p.a. UK investment grade credit returned -0.9% p.a. over the 6 months to end-September as the rise in underlying gilt yields more than offset a 0.3% p.a. fall in credit spreads. Global investment grade credit spreads fell 0.2% p.a., to 1.3% p.a., while speculative grade credit spreads narrowed 0.6% p.a. to 4.4% p.a.

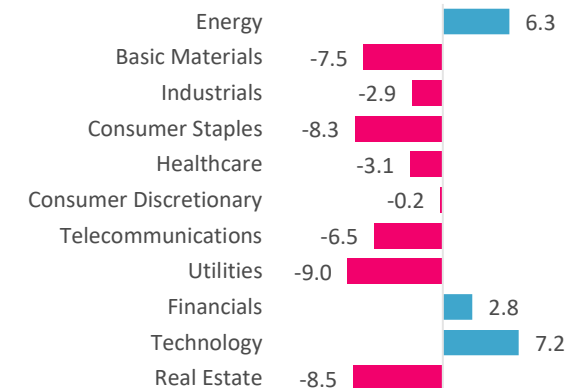
Global equities rose 4.4% in local currency terms. Japanese equities notably outperformed as the exporter-heavy index benefited from Yen weaknesses. North American equities modestly outperformed, given above average exposure to the technology sector.

Despite its exposure to outperforming energy sector, the UK market underperformed. Europe ex-UK underperformed given a weak domestic and external backdrop for the manufacturing-intensive economy. Disappointing Chinese activity data and turmoil in the property sector, weighted on emerging markets and Asia Pacific ex-Japan, with the latter being the worst performing region.

Regional Equity Returns % ^[2]



Global Equity Sector Returns % ^[3]



Source: DataStream. ^[1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All Share, FTSE all World ex UK £, FTSE All World ex UK Local, FTSE North America, FTSE AW Developed Europe ex-UK, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, MSCI Emerging, FTSE Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BoA Global Govt Bond ex UK, MSCI UK Monthly Property; UK Interbank 7 Day. ^[2] FTSE All World Indices. Commentary compares regional equity returns in local currency. ^[3] Returns shown relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021 – Returns for Real Estate will be included when there is a sufficient track record.

Valuation and Performance - Paisley Common Good Fund

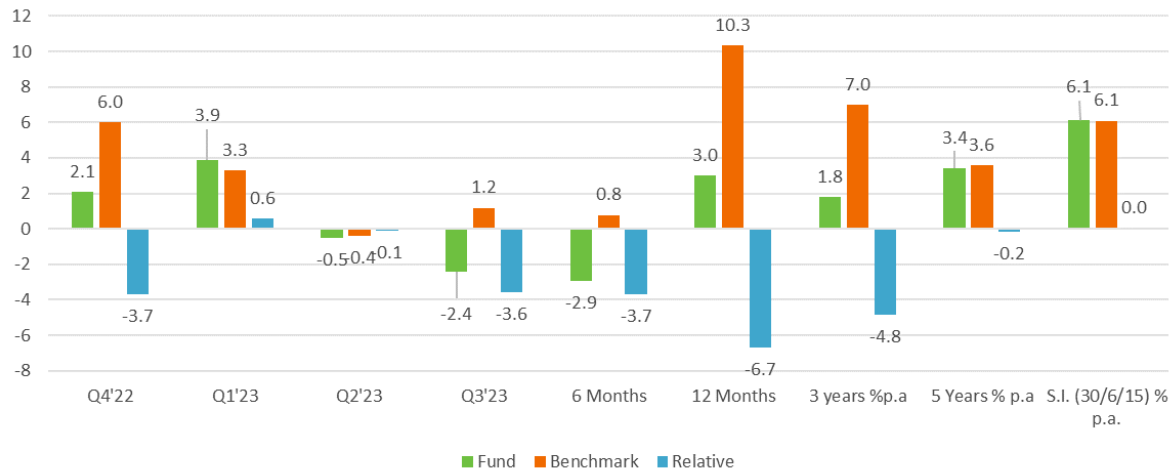
Valuation

	Value (£m)		Proportions		Difference
	31/03/2023	30/09/2023	Actual %	Benchmark %	
UK Equity	1.64	1.28	28.3%	60.0%	-31.7%
Overseas Equity	2.30	2.28	50.4%	20.0%	30.4%
Total Equity	3.94	3.56	78.7%	80.0%	
UK Government Bonds	0.33	0.42	9.2%	18.0%	-1.3%
UK Non Government Bonds	0.29	0.39	8.7%		-8.8%
International Bonds	0.09	0.09	1.9%		8.7%
Total Bonds	0.71	0.89	19.8%	18.0%	1.9%
Cash	0.08	0.07	1.5%	2.0%	1.8%
Total	4.74	4.52			-0.5%

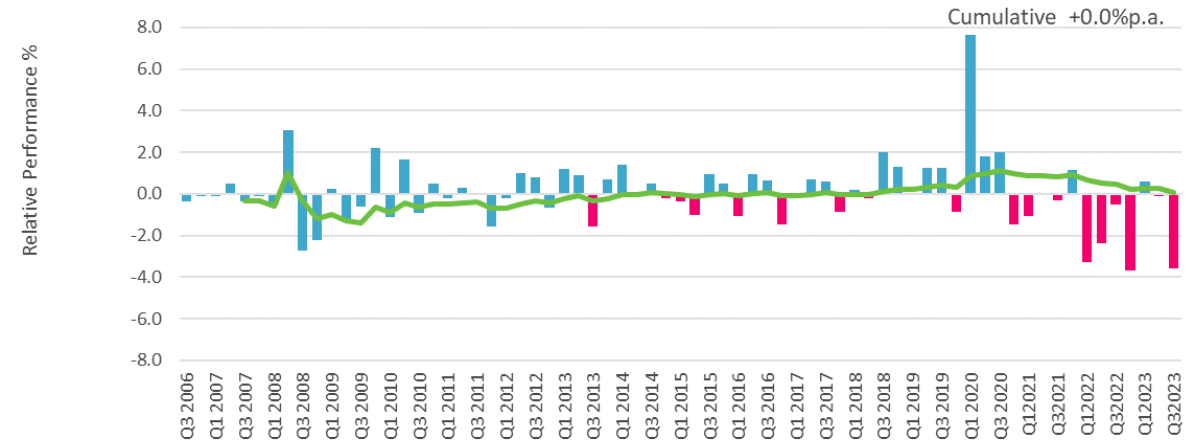
Income

(Standard Life) Estimated Annual Income	
31/03/2023	£148,221
30/06/2023	£145,701
30/09/2023	£143,538
Target	£125,000

Performance



Cumulative Performance



Valuation and Performance - Renfrew Common Good Fund

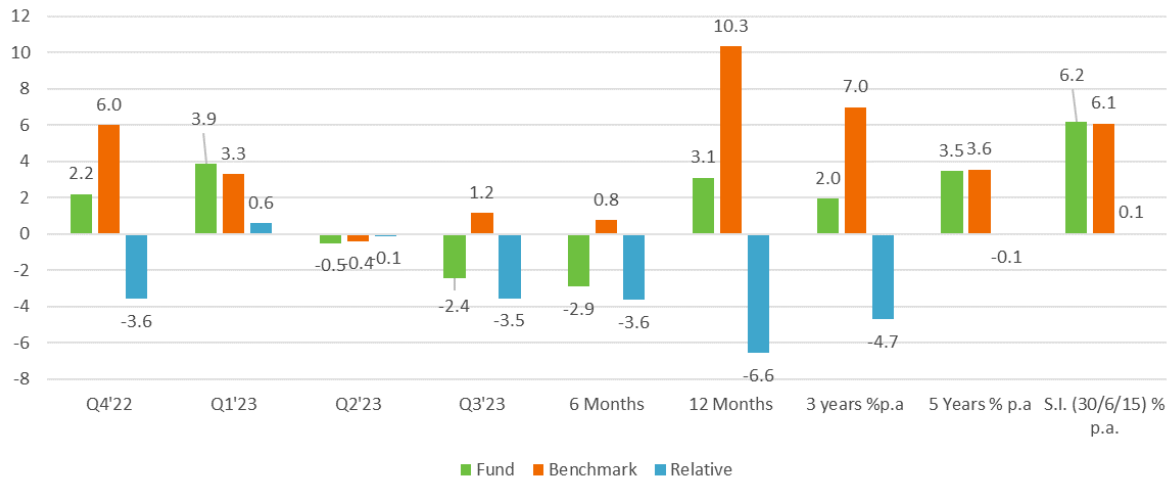
Valuation

	Value (£m)		Proportions		Difference
	31/03/2023	30/09/2023	Actual %	Benchmark %	
UK Equity	6.26	4.86	28.1%	60.0%	-31.9%
Overseas Equity	8.86	8.75	50.6%	20.0%	30.6%
Total Equity	15.13	13.61	78.8%	80.0%	
UK Government Bonds	1.26	1.56	9.0%	18.0%	-1.2%
UK Non Government Bonds	1.15	1.53	8.9%		-9.0%
International Bonds	0.34	0.33	1.9%		8.9%
Total Bonds	2.76	3.42	19.8%	18.0%	1.9%
Cash	0.23	0.25	1.5%	2.0%	1.8%
Total	18.11	17.28			-0.5%

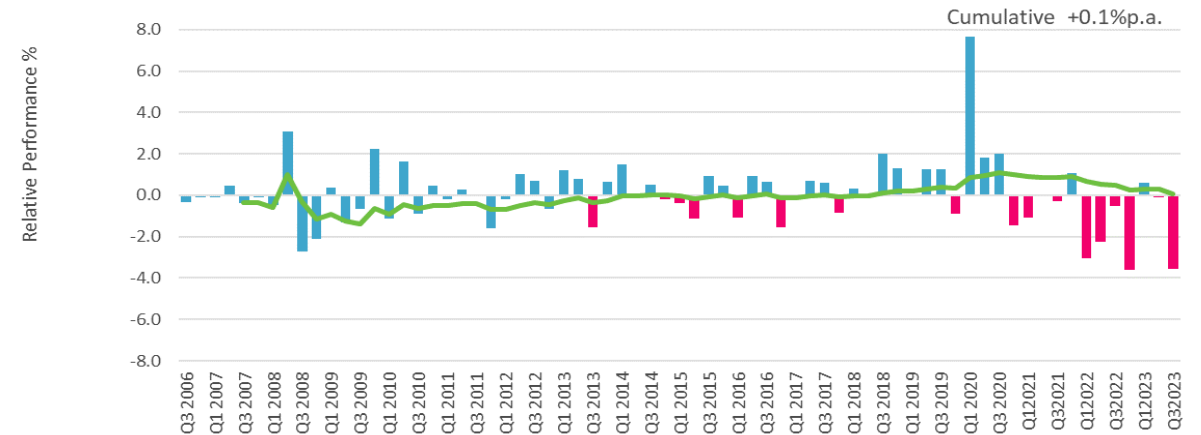
Income

(Standard Life) Estimated Annual Income	
31/03/2023	£570,598
30/06/2023	£558,687
30/09/2023	£549,647
Target	£475,000

Performance



Cumulative Performance



Commentary

In the six months leading up to September 2023, the Paisley and Renfrew funds posted returns of -2.9%, falling short of the benchmark return of +0.8%. Both quarters resulted in negative returns, with a -0.5% return in Q2 2023 and a more significant decline in Q3 2023, which saw a -2.4% performance.

Financial markets were mixed in Q2 23. Bonds faced challenges as major central banks continued to raise interest rates to curb high inflation. UK equities underperformed global counterparts due to combination of higher-than-anticipated interest rate increases, a strong sterling, and a sluggish domestic economy. The market's interest-rate sensitive sectors, in which the fund has exposure to, were adversely affected, leading to a negative performance of the fund at 0.5% for the second quarter.

The prospect of higher for longer interest rates continued to be a significant drag on financial markets in Q3 2023. Central banks' commitment to bring inflation under control with restrictive policies weighed heavily on government bond markets, although UK gilts showed some resilience. The selloff in the bond market spilled over to global equity markets, reversing some of its gains since the start of the year. Whilst UK equities demonstrated relatively better resilience and offered some relief to the portfolio, the overall fund return remains in negative territory at -2.4%.

The underperformance against the benchmark during the 6-month period was mainly driven by overseas equity performance. There are several stocks in the portfolio that have fallen in value over Q3 and the manager held overweight positions in these stocks, detracting from relative performance. The manager notes that many of these companies have been the strongest performers over other time periods.

As at the end of September 2023, the allocation to equities (c79%) was slightly below the benchmark allocation (80%). The portfolio continues to be significantly underweight to UK equities and overweight in overseas equities. The underweighting to UK equities has been beneficial over the longer term as UK equities have lagged other regions.

The exposure to bonds was 19.8% at end September 2023 compared to a benchmark allocation of 18%. Interestingly, in the past year, the portfolio had always been significantly overweight in equities as a whole, but this trend has reversed in the current period. With the rise in yields year-to-date, fixed income assets (bonds) have become relatively more attractive for the managers. This is evident in their increased purchases of government and corporate bonds throughout the year - something the manager has taken advantage off in repositioning the allocation back towards the strategic allocation.

Looking longer term, Paisley and Renfrew funds have shown positive 3-year returns of 1.8% p.a. and 2.0% p.a. respectively, although they lag the benchmark by c. 4.8/4.7% p.a. primarily due to last 12 months' performance. Nonetheless, when considering a 5-year time horizon, the returns improve to c 3.4/3.5% p.a., and since the inception of the mandate, they have been even stronger at 6.1/6.2% p.a., aligning with the benchmark.

Appendices



Asset Allocation

Paisley Common Good Fund

31/03/2023	Benchmark	Fund	Difference
UK Equity	60.0%	34.6%	-25.4%
Overseas Equity	20.0%	48.5%	28.5%
Total Equity	80.0%	83.1%	3.1%
UK Government Bonds	18.0%	7.0%	-11.0%
UK Non Government Bonds		6.2%	6.2%
International Bonds		1.9%	1.9%
Total Bonds	18.0%	15.1%	-2.9%
Cash	2.0%	1.8%	-0.2%
Total	100.0%	100.0%	

30/09/2023	Benchmark	Fund	Difference
UK Equity	60.0%	28.3%	-31.7%
Overseas Equity	20.0%	50.4%	30.4%
Total Equity	80.0%	78.7%	-1.3%
UK Government Bonds	18.0%	9.2%	-8.8%
UK Non Government Bonds		8.7%	8.7%
International Bonds		1.9%	1.9%
Total Bonds	18.0%	19.8%	1.8%
Cash	2.0%	1.5%	-0.5%
Total	100.0%	100.0%	

Renfrew Common Good Fund

31/03/2023	Benchmark	Fund	Difference
UK Equity	60.0%	34.6%	-25.4%
Overseas Equity	20.0%	48.9%	28.9%
Total Equity	80.0%	83.5%	3.5%
UK Government Bonds	18.0%	7.0%	-11.0%
UK Non Government Bonds		6.4%	6.4%
International Bonds		1.9%	1.9%
Total Bonds	18.0%	15.2%	-2.8%
Cash	2.0%	1.3%	-0.7%
Total	100.0%	100.0%	

30/09/2023	Benchmark	Fund	Difference
UK Equity	60.0%	28.1%	-31.9%
Overseas Equity	20.0%	50.6%	30.6%
Total Equity	80.0%	78.8%	-1.2%
UK Government Bonds	18.0%	9.0%	-9.0%
UK Non Government Bonds		8.9%	8.9%
International Bonds		1.9%	1.9%
Total Bonds	18.0%	19.8%	1.8%
Cash	2.0%	1.5%	-0.5%
Total	100.0%	100.0%	

Appendix 4 – Explanation of Performance Calculations

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\left(\frac{1 + \text{Fund Performance}}{1 + \text{Benchmark Performance}} \right) - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture :

Arithmetic Method

	Fund Performance	Benchmark Performance	Relative Performance
Quarter 1	7.0%	2.0%	5.00%
Quarter 2	28.0%	33.0%	-5.00%
Linked 6 months			-0.25%
6 month performance	37.0%	35.7%	1.30%

- If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.
- If fund performance is measured half yearly, there is a relative outperformance of 1.3% over the six month period.
- The arithmetic method makes it difficult to compare long term relative performance with shorter term relative performance.

Geometric Method

	Fund Performance	Benchmark Performance	Relative Performance
Quarter 1	7.0%	2.0%	4.90%
Quarter 2	28.0%	33.0%	-3.76%
Linked 6 months			0.96%
6 month performance	37.0%	35.7%	0.96%

- If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.
- If fund performance is measured half yearly, an identical result is produced.
- The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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To: Investment Review Board

On: 22 November 2023

Report by: Director of Finance and Resources

Heading: Review of Investment Policy Statement

1. Summary

- 1.1 The Council has arranged for the investments of the Paisley and Renfrew Common Good Funds to be managed by LGT Wealth Management, formally abrdn Capital 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 what 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 an Investment Policy Statement, and this document is reviewed annually to ensure that the principles remain appropriate to the requirements of the Common Good Funds.
- 1.3 The Statement of Investment Policy was last reviewed in November 2022, and is due for review.
- 1.4 LGT Wealth Management acquired abrdn Capital Limited in September 2023 and the Investment Policy Statement has been updated to reflect this change.
-

2. Recommendations

- 2.1 The Board is asked to consider and approve the Statement of Investment Principles, which is attached to this report.
-

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 Partnerships and the Finance, Resources and Customer Services Policy Board. All funds are managed in line with the requirements of local government regulations, and in line with the Investment Policy Statement.
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 Investment Policy Statement outlines a medium level of risk to be adopted by the Investment Manager.
11. **Privacy Impact** – none
12. **COSLA Policy Position** – none
13. **Climate Risk** – none

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Renfrewshire Council Renfrew Common Good Fund

Investment Policy Statement

A: Introduction

1. The Renfrew Common Good Fund operates for the benefit (or “common good”) of the inhabitants living within the former burghs of Renfrew. The Renfrew Common Good Fund (hereinafter “the common good”) provides financial support to third party organisations and also support activities taking place within the former burgh boundaries.
2. The elected members of Renfrewshire Council are ex-officio Trustees of the common good. Decisions regarding the operation, assets, processes or policies are delegated by the Council to the Finance, Resources and Customer Services Policy Board (FRCSPB). The investment performance of the Common Good is monitored regularly by Council officers, and is reported bi-annually to the Investment Review Board (a sub-committee of the FRCSPB), which is comprised of 5 cross party elected members.

Purpose of statement

3. This policy statement sets out the principles and governance under which the investment of the assets of the common good is managed. The Director of Finance and Resources of Renfrewshire Council has issued this statement as Treasurer on behalf of the Common Good funds.

Consultation

4. The Director of Finance and Resources of Renfrewshire Council has consulted with LGT (the investment manager) and with Hymans Robertson LLP (the investment advisor) about the content of the statement.

Investment powers

5. The Director of Finance and Resources has authority as Treasurer of the Common Good to invest the funds in such investments, securities or property, as may be thought fit.
6. The investment manager, LGT Wealth Management, 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 this policy.

7. 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.

Investment objectives

8. The investment manager has been instructed as a primary objective to achieve a regular stream of income. The outgoings shall be as determined on an annual basis by the Investment Review Board. A secondary objective is to grow the real value of capital over the longer term.

B: Diversification and risk controls

Risk

9. The Trustees seek a moderate risk approach (classed as “medium high” in the rating methodology employed by LGT) through a diversified portfolio invested in a broad spread of equities but also including a proportion of fixed interest securities, property, cash and other such investments as the Trustees approve.

Custody

10. Our appointed investment manager is responsible for appointing a recognised custodian for the assets of the common good.

Investment Manager restrictions

11. The Trustees require their investment manager to consider environmental, social and governance (ESG) factors in making investment decisions. Each investment decision shall be made on a balanced view on the overall investment case for a particular sector or stock. In general terms, this means that ESG investment concerns 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.
12. The Trustees note the UN Principles for Responsible Investment (UNPRI) as an approach which sets out global best practice in the area of ESG. The Trustees prefer to work with an investment manager who is a signatory to the UNPRI and note LGT, as part of LGT Capital Partners LTD, is a signatory.
13. The common good has an interest in environmental sustainability and the impact of climate change on the planet and communities, the Trustees consider that there are some investments which they would wish to exclude from the portfolio as they are not aligned with or run contrary to the objectives of the Common Good; or because they may cause reputational damage to the Common Good. The Investment Review Board (on behalf of Trustees) has agreed the following specific restrictions:

- Ethical screening criteria
 - No direct investment in tobacco stocks.
 - No direct investment in any company generating more than 5% of revenue from gambling
 - No direct investment in any company involved in the production of armaments (noting that LGT, as part of LGT Capital Partners Ltd, supports the principles in both the Convention on Cluster Munitions 2008 and the 1997 Convention on Anti-Personnel Mines, which ban these weapons as defined by the conventions; and will not knowingly invest in companies producing or selling these weapons)
 - No direct investment in fossil fuel stocks, by which we mean the oil and gas majors and thermal coal extractive companies

- Other restrictions
 - A target of 15%, variable to any level between 10% and 20% at the discretion of the investment manager depending on market conditions, to be held in fixed interest stocks.

Manager controls

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

Taxation

15. The investment manager shall provide annually an HM Revenue & Customs approved tax voucher with supporting schedules detailing dividend income received.

Performance measurement

16. The Treasurer on behalf of Trustees will monitor the performance of the portfolio against its objectives on a quarterly basis. The performance of the respective elements of the portfolio will be measured against the respective benchmark for that investment as outlined in the table below:

Asset class	Index	Weighting
UK Equities	FTSE All-Share Index	60%
Global Equities	FTSE World ex-UK Index	20%
Fixed interest securities	FTA All-UK Government Stocks Index	18%
Cash	UK Interbank Sterling Overnight Index	2%

The Investment Review Board will review the suitability of the benchmarks annually.

Reporting

17. The investment manager will prepare an investment report on the funds every quarter plus an annual review of the year. The investment manager will also attend bi-annual meetings of the Investment Review Board.

Duration of contract

18. The option to extend the contract with abrdn, prior to acquisition by LGT Wealth Management, was exercised on 1 July 2022 for a two-year period ending on 30 June 2024.

Frequency of review

19. The Investment Review Board will review this policy annually, or sooner if circumstances demand it.

Renfrewshire Council Paisley Common Good Fund

Investment Policy Statement

A: Introduction

1. The Paisley Common Good Fund operates for the benefit (or “common good”) of the inhabitants living within the former burghs of Paisley. The Paisley Common Good Fund (hereinafter “the common good”) provides financial support to third party organisations and also support activities taking place within the former burgh boundaries.
2. The elected members of Renfrewshire Council are ex-officio Trustees of the common good. Decisions regarding the operation, assets, processes or policies are delegated by the Council to the Finance, Resources and Customer Services Policy Board (FRCSPB). The investment performance of the Common Good is monitored regularly by Council officers, and is reported bi-annually to the Investment Review Board (a sub-committee of the FRCSPB), which is comprised of 5 cross party elected members.

Purpose of statement

3. This policy statement sets out the principles and governance under which the investment of the assets of the common good is managed. The Director of Finance and Resources of Renfrewshire Council has issued this statement as Treasurer on behalf of the common good.

Consultation

4. The Director of Finance and Resources of Renfrewshire Council has consulted with LGT (the investment manager) and with Hymans Robertson LLP (the investment advisor) about the content of the statement.

Investment powers

5. The Director of Finance and Resources has authority as Treasurer of the Common Good to invest the funds in such investments, securities or property, as may be thought fit.
6. The investment manager, LGT Wealth Management, 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 this policy.

7. 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.

Investment objectives

8. The investment manager has been instructed as a primary objective to achieve a regular stream of income. The outgoings shall be as determined on an annual basis by the Investment Review Board. A secondary objective is to grow the real value of capital over the longer term.

B: Diversification and risk controls

Risk

9. The Trustees seek a moderate risk approach (classed as “medium high” in the rating methodology employed by LGT) through a diversified portfolio invested in a broad spread of equities but also including a proportion of fixed interest securities, property, cash and other such investments as the Trustees approve.

Custody

10. Our appointed investment manager is responsible for appointing a recognised custodian for the assets of the common good.

Investment Manager restrictions

11. The Trustees require their investment manager to consider environmental, social and governance (ESG) factors in making investment decisions. Each investment decision shall be made on a balanced view on the overall investment case for a particular sector or stock. In general terms, this means that ESG investment concerns 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.
12. The Trustees note the UN Principles for Responsible Investment (UNPRI) as an approach which sets out global best practice in the area of ESG. The Trustees prefer to work with an investment manager who is a signatory to the UNPRI and note LGT, as part of LGT Capital Partners LTD, is a signatory.
13. The common good has an interest in environmental sustainability and the impact of climate change on the planet and communities, the Trustees consider that there are some investments which they would wish to exclude from the portfolio as they are not aligned with or run contrary to the objectives of the Common Good; or because they may cause reputational damage to the Common Good. The Investment Review Board (on behalf of Trustees) has agreed the following specific restrictions:

- Ethical screening criteria
 - No direct investment in tobacco stocks.
 - No direct investment in any company generating more than 5% of revenue from gambling
 - No direct investment in any company involved in the production of armaments (noting that LGT, as part of LGT Capital Partners Ltd, supports the principles in both the Convention on Cluster Munitions 2008 and the 1997 Convention on Anti-Personnel Mines, which ban these weapons as defined by the conventions; and will not knowingly invest in companies producing or selling these weapons)
 - No direct investment in fossil fuel stocks, by which we mean the oil and gas majors and thermal coal extractive companies

- Other restrictions
 - A target of 15%, variable to any level between 10% and 20% at the discretion of the investment manager depending on market conditions, to be held in fixed interest stocks.

Manager controls

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

Taxation

15. The investment manager shall provide annually an HM Revenue & Customs approved tax voucher with supporting schedules detailing dividend income received.

Performance measurement

16. The Treasurer on behalf of Trustees will monitor the performance of the portfolio against its objectives on a quarterly basis. The performance of the respective elements of the portfolio will be measured against the respective benchmark for that investment as outlined in the table below:

Asset class	Index	Weighting
UK Equities	FTSE All-Share Index	60%
Global Equities	FTSE World ex-UK Index	20%
Fixed interest securities	FTA All-UK Government Stocks Index	18%
Cash	UK Interbank Sterling Overnight Index	2%

The Investment Review Board will review the suitability of the benchmarks annually.

Reporting

17. The investment manager will prepare an investment report on the funds every quarter plus an annual review of the year. The investment manager will also attend bi-annual meetings of the Investment Review Board.

Duration of contract

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Frequency of review

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