

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.

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