

To: Investment Review Board

On: 9 June 2021

Report by: Director of Finance and Resources

Heading: Investment Policy Statement

1. Summary

- 1.1 At the previous Investment Review Board meeting of 18 November 2020, a report was presented outlining a suggested “pathway” to reflect climate change matters in the investment portfolios of the Paisley and Renfrew Common Good Funds. The pathway, prepared by the Council’s Investment Manager, Aberdeen Standard Capital Limited (“ASC”), set out an approach that Members could use to develop an investment policy that would reflect the decision of the Council to support Climate Emergency measures.
- 1.2 Following on from November’s Board meeting, Members attended a workshop on 26 January 2021 along with Julie Hutchison (Charity Specialist) and Gair Brisbane (Head of Charities (Scotland)), both of ASC, as well as Renfrewshire Council officers, to discuss and prepare appropriate updates to the investment policy. This updated policy takes the form of an “Investment Policy Statement”, intended to replace the existing “Statement of Investment Principles”, and a draft is attached to this report for Members’ consideration.
- 1.3 The scope and content of the proposed Investment Policy Statement is similar to that of the existing Statement of Investment Principles. The key changes are within the section on “Investment Manager restrictions”, including updates to the ethical screening criteria that are intended to support the Council’s decision to support Climate Emergency measures.

2. **Recommendations**

- 2.1 Members are requested to consider and approve the Investment Policy Statement attached to this report, as a replacement for the existing Statement of Investment Principles (which was approved at the previous Board meeting on 18 November 2020), thus implementing updates to the ethical screening criteria.

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 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
 13. **Climate Risk** – none
-

List of Background Papers

None

Author: Richard Conway, Finance Manager (Financial Accounting)
0141-618 7377
richard.conway@renfrewshire.gov.uk

Renfrewshire Council Paisley Common Good Fund

Investment Policy Statement

A: Introduction

1. The Paisley Common Good Fund (a charity registered in Scotland – SC019478) operates for the benefit (or “common good”) of the inhabitants living within the former burghs of Paisley. The Paisley Common Good Fund (hereinafter “the charity”) 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 charity. Decisions regarding the operation, assets, processes or policies of the charities are delegated by the Council to the Finance, Resources and Customer Services Policy Board (FRCSPB). The investment performance of the charity 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 charity is managed. The Director of Finance and Resources of Renfrewshire Council has issued this statement as Treasurer on behalf of the charity.

Consultation

4. The Director of Finance and Resources of Renfrewshire Council has consulted with Aberdeen Standard Capital Limited (the charity’s 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 charity to invest the funds of the charity in such investments, securities or property, as may be thought fit.
6. The investment manager, Aberdeen Standard Capital 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 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 charity.

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 Aberdeen Standard Capital Limited) 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 charity.

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 Aberdeen Standard Capital, as part of Aberdeen Standard Investments, is a signatory.
13. As a charity with 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 charity; or because they may cause reputational damage to the charity. 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 Aberdeen Standard Capital, as part of Aberdeen Standard Investments, 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 minimum of 15% 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	20%
Fixed interest securities	FTA All-UK Government Stocks Index	18%
Cash	UK Interbank 7 day	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 contract with Aberdeen Standard Capital Limited was renewed on 1 July 2019 for a three-year period ending on 30 June 2022 with the option to extend for up to a further two years, at the discretion of Renfrewshire Council.

Frequency of review

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

Renfrewshire Council Renfrew Common Good Fund

Investment Policy Statement

A: Introduction

1. The Renfrew Common Good Fund (a charity registered in Scotland – SC019479) operates for the benefit (or “common good”) of the inhabitants living within the former burgh of Renfrew. The Renfrew Common Good Fund (hereinafter “the charity”) 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 charity. Decisions regarding the operation, assets, processes or policies of the charity are delegated by the Council to the Finance, Resources and Customer Services Policy Board (FRCSPB). The investment performance of the charity 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 charity is managed. The Director of Finance and Resources of Renfrewshire Council has issued this statement as Treasurer on behalf of the charity.

Consultation

4. The Director of Finance and Resources of Renfrewshire Council has consulted with Aberdeen Standard Capital Limited (the charity’s 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 charity to invest the funds of the charity in such investments, securities or property, as may be thought fit.
6. The investment manager, Aberdeen Standard Capital 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 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 charity.

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 Aberdeen Standard Capital Limited) 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 charity.

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 Aberdeen Standard Capital, as part of Aberdeen Standard Investments, is a signatory.
13. As a charity with 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 charity; or because they may cause reputational damage to the charity. 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 Aberdeen Standard Capital, as part of Aberdeen Standard Investments, 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 minimum of 15% 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	20%
Fixed interest securities	FTA All-UK Government Stocks Index	18%
Cash	UK Interbank 7 day	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 contract with Aberdeen Standard Capital Limited was renewed on 1 July 2019 for a three-year period ending on 30 June 2022 with the option to extend for up to a further two years, at the discretion of Renfrewshire Council.

Frequency of review

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