

## Minute of Meeting Investment Review Board

Date	Time	Venue
Wednesday, 09 June 2021	11:00	Teams Meeting,

**Present:** Councillor John McIntyre, Councillor Iain Nicolson, Councillor Jim Paterson, Councillor Jim Sharkey, Councillor John Shaw

### Chair

Councillor Shaw, Convener, presided.

### In Attendance

A MacArthur, Head of Finance, and R Devine, Senior Committee Services Officer (both Finance & Resources).

### Also in Attendance

D Millar, Associate Consultant, (Hymans Robertson LLP) And Gair Brisbane Senior Charity Portfolio Manager and M Connor, Portfolio Manager (both Aberdeen Standard Capital Limited).

### 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 18 November 2020.

**DECIDED:** That the Minute be noted.

## 2 **Investment Policy Statement**

There was submitted a report by the Director of Finance & Resources relative to the scope and content of the proposed Investment Policy Statement

Reference was made to the report considered at the meeting of this Board held on 18 November 2020 which had suggested a '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) had set out a proposed approach that Members could use to develop an investment policy that would reflect the decision of the Council to support Climate Emergency measures. Thereafter members of the Board had attended a workshop, on 26 January 2021, along with Julie Hutchison (Charity Specialist) and Gair Brisbane (Senior Charity Portfolio Manager), both of ASC, as well as officers of the Council, to discuss and develop appropriate updates to the investment policy. This updated policy took the form of a draft "Investment Policy Statement", a copy of which was appended to the report, which would replace the existing "Statement of Investment Principles".

The report highlighted the key changes, within the section entitled Investment Manager restrictions specifically updating the ethical screening criteria, that were intended to support the Council's decision to support Climate Emergency measures.

**DECIDED:** That the Investment Policy Statement a copy of which was appended to the report, be approved as a replacement for the existing Statement of Investment Principles thereby implementing updates to the ethical screening criteria.

## 3 **Paisley and Renfrew Common Good Funds: review of investment and income performance**

There was submitted a report by the Director of Finance & Resources relative to the performance of the Paisley and Renfrew Common Good Funds during the six-month period to 31 March 2021.

A performance review by Hymans Robertson LLP was attached as an appendix to the report. D Millar, Associate Consultant, (Hymans Robertson LLP) advised that there had been a significant fall in the equity and corporate bond markets as a result of the coronavirus pandemic. However there had been a significant recovery resulting in only UK equities and property had remained in negative territory for the year. There had been continued recovery in the equities market during 2021 however bonds had fallen back. The Associate Consultant (Hymans Robertson LLP) indicated that the value of the Paisley Common Good Fund had increased slightly from £4.40m on 30

September 2020 to £4.75m on 31 March 2021 During the same period, the Renfrew Common Good Fund assets had risen from £14.87m to £16.07m. Both portfolios had met their income targets. He indicated that the asset allocation had not changed significantly in the last 12 months, and that the portfolios had performed well, outperforming the benchmark during challenging economic conditions. In addition, the Associate Consultant, (Hymans Robertson LLP) provided information on the performance of the markets from 31 December 2020 to 27 May 2021 which indicated continuing recovery. The Associate Consultant, (Hymans Robertson LLP) was then heard in answer to questions from members on the report.

The Senior Charity Portfolio Manager ASC then provided a presentation relative to the performance of the Paisley and Renfrew Common Good Fund investments.

The presentation included information in relation to investment guidelines for Common Good Funds; long term performance of the Funds; asset contribution to Common Good Funds; and investment restrictions.

During a general discussion relative to contribution to performance by asset class it was proposed and agreed that a report be prepared and submitted to the next meeting of the Board outlining the historical rationale for, the implications of altering the threshold and options in terms of the portfolio investment restriction which required a minimum of 15% of the portfolio to be held in fixed interest stocks

**DECIDED:** That the report and presentations be noted; and that a report be prepared and submitted to the next meeting of the Board outlining the historical rationale for, the implications of altering the threshold and options in terms of the portfolio investment restriction which required a minimum of 15% of the portfolio to be held in fixed interest stocks.

#### 4 **Investment Management**

There was submitted a report by the Director of Finance & Resources relative to the proposed transfer of a proportion of existing Paisley Common Good Fund and Renfrew Common Good Fund cash balances to the investments currently managed by Aberdeen Standard Capital Limited.

The report reminded members that Aberdeen Standard Capital Limited managed the investments of the Paisley and Renfrew Common Good Funds and that the performance of the Funds was monitored by the Investment Review Board.

Investment of the Funds was undertaken in accordance with the Investment Policy Statement agreed by the Board, which recognised that investment in equities and fixed interest bonds was not without risk. However, the return available generally exceeded that available from holding the funds in cash (ie in bank deposits or money market funds) managed by the Council. Investing in equities and fixed interest stocks also allowed capital growth in addition to dividend or interest returns. In recent years the level of income to the Common Good Funds had exceeded that disbursed, to the point where the cash balance managed by the Council, as at 31 March 2021, was £0.6m for the Paisley Common Good Fund and £4.8m for the Renfrew Common Good Fund. The interest currently generated on these balances was about 0.4% owing to the low interest rate environment which had been experienced for some time. An increase in the bank rate was not anticipated in the near future. The yield on the balances managed by ASC had averaged 3-3.5% over the previous 3 years, excluding capital growth. As a consequence, it was proposed in order to secure an

improved overall return on fund balances, that a proportion of the funds currently held in cash were transferred to the management of ASC. To balance risk and manage liquidity, a cash balance would continue to be managed by the Council. It was considered that maintaining a cash balance of £0.3m in the Paisley Fund and £1.5m in the Renfrew Fund would achieve a prudent balance of liquidity and longer-term investment return.

**DECIDED:**

(a) That it be agreed that funds from the Paisley Common Good Fund and Renfrew Common Good Fund cash balance currently managed by the Council of £0.3m and £3.3m respectively be added to the investments currently managed by Aberdeen Standard Capital Ltd;

(b) That authority be delegated to the Director of Finance and Resources to execute the funds transfer; and

(c) That a report be submitted to the next meeting regarding appropriate revised increased income targets.

**5 Date of Next Meeting**

It was noted that the next meeting of the Investment Review Board was scheduled for Wednesday 19 November 2021 at 10am.

**DECIDED:** That the information be noted.