

Minute

Investments Sub-committee

Thursday, 22 November 2018, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors James W Stockan, Rachael A King, Stephen Sankey, John A R Scott and Graham L Sinclair.

Clerk

Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Head of Finance.
- Colin Kemp, Corporate Finance Senior Manager.
- Graeme Christie, Estates Manager (for Items 1 and 2).
- Shonagh Merriman, Accounting Manager (Corporate Finance).
- Michael Scott, Solicitor.

Apologies

- Councillor Steven B Heddle.
- Councillor W Leslie Manson.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor James W Stockan.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Items 5 and 6, as the business to be discussed involved the potential disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Revenue Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Accounting Manager (Corporate Finance), the Sub-committee:

Noted:

2.1. The revenue financial summary statement in respect of Strategic Reserve Fund services for the period 1 April to 30 September 2018, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £5,471,800.

2.2. The revenue financial detail by Service Area statement in respect of Strategic Reserve Fund services for the period 1 April to 30 September 2018, attached as Annex 2 to the report by the Head of Finance.

2.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance.

3. Temporary Loans

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Accounting Manager (Corporate Finance), the Sub-committee:

Noted:

3.1. The status of the temporary loan portfolio as at 30 September 2018, as detailed in section 3 of the report by the Head of Finance.

3.2. That, for the period 1 April to 30 September 2018, the temporary loans portfolio made a return of £115,217.53 at an average interest rate of 0.74%.

3.3. That the Treasury Policy Statement was being adhered to by the Finance Service and was producing an acceptable rate of return.

4. Exclusion of the Public

On the motion of Councillor James W Stockan, seconded by Councillor Rachael A King, the Sub-committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

5. Strategic Reserve Fund – Investment Strategy

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

5.1. The review of the Strategic Reserve Fund managed funds investment strategy by Hymans Robertson, the Council's investment advisers, attached as Appendix 1 to the report by the Head of Finance.

5.2. That plans for future distributions and how those would be financed would have an impact on the attitude to the level of investment risk and return and, therefore, the investment objectives of the Strategic Reserve Fund.

5.3. That a number of strategies had been identified depending on whether the objective or focus of the Strategic Reserve Fund managed fund investments was to achieve growth or income generation going forward.

5.4. That, in reviewing the investment strategy, an option existed to require either new and/or existing Fund Managers to be signatories to the United Nations Principles of Responsible Investment.

5.5. That Hymans Robertson was supportive both of the existing value style bias within the Fund's equity allocation and a switch towards a passive approach for managing corporate bonds but recognised that the current structure was not optimal.

5.6. That, while an allocation to infrastructure had the potential to provide additional diversification away from equities, as a long term investment the appropriateness of this was dependent on whether the focus of the Strategic Reserve Fund was on growth or income generation over the medium term.

5.7. That the review undertaken by Hymans Robertson identified a requirement for members to receive further training on alternative sources of income, as well as to give due consideration to the practical implications associated with de-risking and diversifying the investment strategy.

5.8. A summary of the findings of the review by Hymans Robertson in respect of the investment strategy for the Strategic Reserve Fund, as set out in section 4 of the report by the Head of Finance.

The Sub-committee resolved, in terms of delegated powers:

5.9. That the Head of Finance, in consultation with Hymans Robertson, develop the findings of the review of the investment strategy for the Strategic Reserve Fund into a set of specific proposals for a revised investment strategy of the managed funds.

5.10. That the Head of Finance should thereafter submit a report, to the Sub-committee, setting out a revised investment strategy for the Strategic Reserve Fund.

6. Statement of Managed Funds

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

6.1. The review of investment performance by Hymans Robertson, the Council's appointed investment advisors, for the quarter to 30 September 2018, attached as Appendix 1 to the report by the Head of Finance.

6.2. That performance of the Strategic Reserve Fund investments was considered average over the quarter to 30 September 2018, increasing in value by 1.7%, being 0.4% ahead of the benchmark.

6.3. That performance of the Strategic Reserve Fund had been average over the 12-month period to 30 September 2018, with the value of the Fund increasing by 5.9%, being only 0.7% ahead of the benchmark.

6.4. The Sustainable Investment Report as at 30 September 2018, produced by the Equities and Bonds Portfolio Manager, attached as Appendix 2 to the report by the Head of Finance.

6.5. The Investment Stewardship Report as at 30 September 2018, produced by the UK Property and Diversified Growth Portfolio Manager, attached as Appendix 3 to the report by the Head of Finance.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

7. Conclusion of Meeting

At 12:05 the Chair declared the meeting concluded.

Signed: James W Stockan.