

Meeting of:	Welsh Church Act Estate Committee
Date of Meeting:	Monday, 31 January 2022
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Investment Management Strategy Review
Purpose of Report:	To progress the Welsh Church Act Estate Investment Strategy Proposals
Report Owner:	Report of the Chief Executive
Responsible Officer:	Interim Head of Finance/ Section 151 Officer
Elected Member and Officer Consultation:	Not applicable
Policy Framework:	Not applicable
<p>Executive Summary:</p> <p>The Welsh Church Act Trust (WCA) currently holds £1.905m (£1.857m as at 31st March 2021) in Investments which are managed on a discretionary basis by Tilney Investment Planning Ltd.</p> <p>The Charity Commission has extensive guidance on Trustee's duty of care for investments including a responsibility to review Investments and Investment Management arrangements.</p> <p>At the meeting of 4th October 2021 Committee resolved to progress a transfer of investments to two or three common investment funds. This report requests authority to appoint Link Group who are the Vale of Glamorgan Council's Treasury Management Advisors to support officers in identifying a suitable mix of funds for investment.</p>	

Recommendations

1. That Committee approves the appointment of Link Group to provide advice and support in identifying a suitable mix of collective investment funds for investment.
2. That Delegated Authority is given to the Operational Manager Accountancy in consultation with the Head of Legal and Democratic Services/ Operational Manager for Legal Services to implement the recommendations of the investment review.

Reasons for Recommendations

1. To ensure that the Vale of Glamorgan Welsh Church Act Investments are structured appropriately with regard to independent investment advice.
2. To ensure that the recommendations of the investment review are implemented in a timely manner.

1. Background

- 1.1 The Welsh Church Act Estate Committee has delegated authority to manage the trust's affairs in accordance with "The Scheme" the Welsh Church Act Estate as vested in the Council.
- 1.2 The WCA Trust currently holds £1.905m (£1.857m as at 31st March 2021) in Investments which are managed on a discretionary basis by Tilney Investment Planning Ltd.
- 1.3 A number of legal requirements are set out for Trustees to consider when managing investments in the document The Charities and Investment Matters a Guide for Trustees which can be accessed on the Charity Commission Website. The document sets out that :-

Trustees have overall responsibility for the investment of a charity's funds. This means that Trustees have a crucial role to play in making strategic decisions about how to use a charity's assets to achieve its aims. However, trustees may choose to delegate day to day decisions about investments to a third party; and

If trustees can demonstrate that they have considered the relevant issues, taken advice where appropriate and reached a reasonable decision, they are unlikely to be criticised for their decisions, or for adopting a particular policy.

- 1.4 The document also notes that Trustees must "review Investments (and their investment manager) from time to time, changing them if necessary".

- 1.5** At the meeting of 4th October 2021 as part of the Welsh Church Act Investment Strategy Review it was proposed that the investments for the Trust should be moved to a collective investment fund approach in line with other Welsh Church Act Investments held by other Welsh Local Authorities.

2. Key Issues for Consideration

- 2.1** It is important that the Welsh Church Act Committee receives independent investment advice in accordance with the requirements of MIFID II and to ensure the security, liquidity and return on investments safeguarding the restricted fund of the Trust and ensuring a reliable income stream for grant making.
- 2.2** The Council's Treasury Management Advisers Link Group have proposed an approach whereby the Council's Officers are supported and guided through the selection process which is a cost effective option for the Trust.
- 2.3** As part of the approach it is proposed that the advisers will provide support in the distribution, collation and review of a detailed questionnaire to a long list of collective income fund providers and provide a précis of the findings. As part of this evaluation of the questionnaire Link Group will undertake a thorough analysis of the funds to ensure that only funds meeting the Trust's criteria are identified for further consideration. Key areas of analysis are identified below.
- Fund Management company and proposed Fund Management team
 - Research into fund-specific strategies
 - Investment process and risk management techniques, including liquidity risk
 - Environment, Social and Governance (ESG) and related Stewardship considerations
 - Past performance analysis in relation to peers and associated benchmarks
 - Current portfolio composition
 - Forward-looking expectations of performance
 - Fee analysis
- 2.4** Once complete the evaluation will be brought back to Committee with recommendations for review.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The Trusts actions need to comply with Charity Law and its decisions are independent of the Councils obligations under the Well-Being of Future Generations Act.

4. Resources and Legal Considerations

Financial

- 4.1** The cost of the support will be £5k excluding VAT. As the costs can be categorised as investment management costs they are able to offset against the restricted fund if needed however given the value it is proposed that this sum is funded by the Trust's reserve in 2021/22.

Employment

- 4.2** There are no direct employment implications arising from this report.

Legal (Including Equalities)

- 4.3** Trustees are required to act in accordance with Charity Law and have of duty of care for the Investments of the Trust. Trustees must take and consider advice from someone experienced in investment matters before making investments and when reviewing them, unless they have good reasons for not doing so.
- 4.4** Under MIFID II all charities and trusts are classified as separate entities and therefore need to be assessed on their own merits, therefore for investment purposes they are classified at Retail level and therefore must utilise investment advice from suitably qualified practitioners.

5. Background Papers