

Meeting of:	<b>Welsh Church Act Estate Committee</b>
Date of Meeting:	<b>Tuesday, 31 January 2023</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	<b>Investment Update</b>
Purpose of Report:	To progress the Welsh Church Act Estate Investment Strategy Proposals
Report Owner:	Report of the Director of Corporate Resources
Responsible Officer:	Matt Bowmer 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 £1.773m (£1.878m as at 31<sup>st</sup> March 2022) in Investments which are managed on a discretionary basis by Evelyn Partners (formerly Tilney).</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. At the meeting in October 2022 the Committee agreed to contact both Evelyn Partners to assess suitability and gather further information about managing the current complex investment market and any potential transfer.</p> <p>Link have carried out some statistical review and circulated questionnaires for completion to a long list of Investment Funds that met the broad criteria of a Collective Fund that would be suitable for a Charitable Investment of less than £2m. The outcome of this review identified CCLA as the most suitable performer in this analysis.</p> <p>In the context of the current uncertain economic circumstances the timing of this move is quite crucial and advice will need to be sought on the timing of any proposed withdrawal from Evelyn Partners and the timing of any entry to the CCLA investment.</p> <p>Evelyn Partners and CCLA have been invited to give presentations to Trustees on Investment Options and further discussion of proposals and next steps will be required as part of this item.</p>	

## **Recommendation**

1. That Members agree the next steps for managing the Welsh Church Act Investments in accordance with an Investment Strategy as agreed by Trustees.

## **Reason for Recommendation**

1. To enable Welsh Church Act Investments to be invested in response to changing market conditions and in accordance with the Investment Strategy agreed by Trustees.

### **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 £1.773m (£1.857m as at 31<sup>st</sup> 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 10<sup>th</sup> October 2023 Trustees resolved that;
  - 1) T H A T the reduction in investment value to £1.732m as at the date of the most recent valuation be noted.
  - 2) T H A T the outcome of the review be accepted but that the Committee continue to look at Evelyn Partners along with CCLA and consider the most suitable provider for the Committee's investment and that a decision be made at a subsequent meeting.
  - 3) T H A T the Collective Investment Fund option approach of an Ethical Fund be approved.
  - 4) T H A T an update report be submitted to a future meeting of the Committee to consider a suitable way forward.

(5) T H A T prior to any delegations being approved the update report at Resolution (4) above be presented to a meeting of the Committee to be held by the end of the calendar year prior to the next meeting of the Committee in January 2023.

- 1.6** In furtherance of Resolution (2) presentations by Evelyn Partners and CCLA will be made to Trustees as part of this agenda.

## **2. Key Issues for Consideration**

- 2.1** The current investments of the Welsh Church Act fund are managed on a discretionary basis by Evelyn Partners formerly Tilney and were valued at £1.773m at 19<sup>th</sup> January 2023 with a book cost of £1.656m. The recent market conditions have seen significant variation in value on the past 12 months from £1.905m in January 2022 to £1.732m in the most October 2022 valuation.
- 2.2** In response to the current and developing economic crisis Evelyn Partners have taken action as part of the discretionary approach to manage the fund including;
- Include some Commodity (Gold) within the fund.
  - Reduce exposure to property investments within the fund.
- 2.3** At the Committee on 10<sup>th</sup> October 2023 it was resolved that the Collective Investment Fund Approach with CCLA on an ethical basis should be progressed.
- 2.4** A key consideration for the management of Welsh Church Act Investments will be the timing of the proposed change and whether the fund is retained in its current investment fund to allow for some recovery of value or withdrawn to proceed with the Committee's Investment proposals.
- 2.5** The CCLA - COIF Charities Ethical Investment Fund has high level of restrictions as set out below.
- Fund has ethical investment policy which restricts:
    - Companies that derive more than 5% of their revenue from extraction of energy (thermal) coal or oil sands.
    - Companies that generate more than 10% of revenue from extracting or refining coal, oil or gas.
    - Companies involved in high carbon businesses. Minimum standards for engagement process.
    - Companies involved in electrical utilities. No investment in companies that cannot align with Paris Climate Change agreement.
    - Companies involved in strategic military sales (10% revenue), civilian firearms (10% revenue) and production of nuclear weapons.
    - Companies involved in production of armaments, including landmines, cluster munitions, chemical or biological weapons.
    - Tobacco (10% revenue).
    - Alcohol (10% revenue).

- Gambling (10% revenue).
- Adult entertainment (10% revenue).
- Companies involved in high interest lending (10% revenue).
- Specific client restrictions on Sanctity of Life – single-purpose abortifacients.
- Companies in priority sector and chooses to conduct testing on animals.
- Breast milk substitutes – companies that do not meet FTSE4GOOD criteria.
- All companies must not score MSCI rating of B or below. Comply / explain approach applies.
- Substantiated allegations of non-conformity with the UN Global Compact.
- Oppressive regimes (sovereign debt).
- Third party funds screened against Ethical Investment Criteria.

**2.6** A key consideration in the context of the current market uncertainty will be the timing of any move in the context of current market conditions. Link propose that should Trustees opt to proceed with the investment with CCLA investment fund that the onboarding process should be commenced but that an open dialogue is had around the timing of investments and whether it is better to delay or drip feed investments into the fund.

### **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 Council’s obligations under the Well-Being of Future Generations (Wales) Act 2015.

### **4. Climate Change and Nature Implications**

**4.1** The Investment Funds being considered clearly document the Environmental, Social and Governance considerations associated with the investments.

### **5. Resources and Legal Considerations**

#### **Financial**

**5.1** As detailed in the body of the report.

#### **Employment**

**5.2** There are no direct employment implications.

### **Legal (Including Equalities)**

- 5.3** This report is submitted in accordance with the statutory requirements of the Charities Acts' 1993 and 2011 and the Charities (Accounts and Reports) Regulations 2008.

## **6. Background Papers**