

Meeting of:	<b>Welsh Church Act Estate Committee</b>
Date of Meeting:	<b>Monday, 22 September 2025</b>
Relevant Scrutiny Committee:	Resources Scrutiny Committee
Report Title:	<b>Investment Update</b>
Purpose of Report:	To consider the latest investment position, review the Ethical stance and scan the market for alternative products
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> <ul style="list-style-type: none"> <li>The value of investments stands at broadly between £1.8m and £1.9m at 31/03/2025 was £1.838m during 2021/22 the value of investments had increased to a £1.905m and dropped back to £1.878m at year end in 2022/23 increasing to £1.919m as at year end 2023/24.</li> <li>Following an investment update by CCLA in September 2024 a need to further consider the Ethical nature of the investment was flagged.</li> <li>Since this meeting some conversations with the Council's Independent Treasury Management Advisor have taken place outlining some alternative options and considerations for Trustees.</li> <li>New Guidance, which came into force on 1 August 2023, is an update to the CC14 Charity Commission Guidance, <i>Investing Charity Money</i>.</li> </ul>	

## **Recommendation**

1. That the guidance and options outlined in this paper are considered by Trustees and broad principles for a revised Investment Management Policy be considered.

## **Reason for Recommendation**

1. To consider the Investment Management Position in the context of the Charity Commission Guidance on Investing Charity Money.

## **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 typically holds around £1.8m of investments which are held in an Ethical Collective Investment Fund by CCLA an update on the balance of this sum will be provided in Committee.
- 1.3 Several 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 10th October 2023 Trustees resolved that a move to Collective Investment Fund model should be considered. Following presentations at Committee on 31st January 2023 a move to an Ethical Investment Model was approved by Committee.
- 1.6 Following an investment update by CCLA in September 2024 a need to further consider the Ethical nature of the investment was flagged.
- 1.7 Since this meeting some conversations with the Council's Independent Treasury Management Advisor have taken place outlining some alternative options and considerations for Trustees.

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

- 2.1** Trustees are asked to consider the update provided in Committee regarding the Investment position in the context of their obligations as Trustees outlined above.
- 2.2** The Charity Commission website also sets out specific considerations in respect of Ethical Investments. New Guidance, which came into force on 1 August 2023, is an update to the CC14 Charity Commission Guidance, Investing Charity Money, and is intended to be clearer, shorter and easier to use and some of this guidance is reproduced below.
- 2.3** Within the options available to each charity, charity trustees must always:
- Comply with the legal duties and requirements set out in the CC14 Guidance.
  - Make decisions in the best interests of their charity; and
  - Keep their investment approach under regular review.
- 2.4** The new Guidance sets out the key duties applicable to charity trustees when making financial investments, and a useful list of some example approaches that trustees can take when doing so.
- 2.5** Aiming only for the best financial return you can achieve, within the level of risk that you have decided is acceptable for your charity.
- 2.6** Avoiding investments that conflict with your charity's purposes. For example, a health charity may decide to avoid investment in companies that mainly produce alcohol, tobacco, or highly processed food, or an environmental charity might decide to avoid investment in fossil fuels.
- 2.7** Avoiding investments that could reduce support for your charity or harm its reputation, particularly amongst its supporters or beneficiaries. For example, a charity may decide to avoid investment in fossil fuels where the trustees can show that this would be in its best interests by avoiding damage to its reputation or fundraising. Investments in this category are sometimes described as bringing an "indirect" conflict with a charity's purposes.
- 2.8** Avoiding or making investments in companies because of their practices on environmental, social and governance (ESG) factors. These could include the climate, human rights, sustainability, community impact and board accountability. Taking this approach could be in your charity's best interests if it could protect or enhance the financial value of your investments or returns over time, or because it will support delivery of your charity's purposes more directly.
- 2.9** Using your shareholder vote, or other opportunities that come with your investment, to influence practice at companies that your charity is invested in. As with the example above, taking this approach could be in your charity's best interests because it could protect or enhance the financial value of your investments or returns over time, or because it will support delivery of your charity's purposes more directly.

- 2.10** The new guidance considers the Butler-Sloss case and offers a more permissive approach towards the inclusion of “non-financial factors” being included in financial investments.
- 2.11** The new Guidance no longer uses the terms “ethical investment” or “responsible investment”, following feedback in its consultation that these terms were not particularly clear or inclusive. Instead, it refers simply to two types of investment:
- “financial investments “, which are made primarily to obtain financial returns for the charity, but can consider non-financial factors such as sustainability and impact characteristics; and
  - “social investments “, which are made primarily to directly achieve the charity’s purposes, while ideally also making a financial return.
- 2.12** It makes it clear that all charities which invest are expected to have a written investment policy and sets out guidelines for charity trustees to use when setting that policy, encouraging them to think about returns, risk, time horizon and liquidity.
- 2.13** Finally, the new Guidance requires trustees to take professional advice when making and reviewing investments (which can include advice from one of the charity trustees, if they are suitably qualified), and offers direction on how to delegate their investment duties to an investment manager.
- 2.14** Having reviewed the guidance, it is considered the investments of the Trust are currently placed used a mixed approach in the context of the use of the Ethical Investment Fund and the use of the opportunities afforded CCLA through the shareholder vote to influence the practices of some companies included in the fund.
- 2.15** Some alternative options would be to consider investments on a discretionary approach although it is considered that options will be limited in the context of the size of the fund and investment management fees may be disproportionately high.
- 2.16** Another option would be to utilise a sustainable deposit account although this will provide cash return but not capital growth to the fund.
- 2.17** The Council is currently in the process of retendering it’s external Treasury Management advice and once complete a further update on the Trust’s position will be sought and the Investment Policy will be updated and brought to Committee for discussion and approval.

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

- 4.1** Welsh Church Act Investments are invested on an ethical basis and include sustainable investment funds and investments in renewable property collectives.

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

### **Financial**

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

### **Employment**

- 5.1** There are no direct employment implications.

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

- 5.2** 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**