

**THE HIGHLAND COUNCIL  
INVESTMENT SUB COMMITTEE**

Minutes of Meeting of the Investment  
Sub Committee held in Council  
Headquarters, Glenurquhart Road,  
Inverness on Thursday, 23 May, 2013  
at 10.45 a.m.

**PRESENT**

Mr C Macaulay  
Mr R Laird  
Mr A MacKinnon

Mr K MacLeod  
Ms E Ward

Non Member also present:

Mr T MacLennan

Officials in attendance:-

Mr D Robertson, Head of Accounting and Budgeting, Finance Service  
Mr B Porter, Finance Manager (Corporate Budgeting, Taxation & Treasury), Finance  
Service  
Mr A MacInnes, Administrative Assistant, Chief Executive's Service

Also in attendance -

Mr K Ettles, AON Hewitt, Investment Consultant  
Ms J Murray, Schroders (item 9 only)  
Mr G Rutter, Schroders (item 9 only)

**Mr C Macaulay in the Chair**

**1. Apologies for Absence**

Apologies for absence were intimated on behalf of Mrs H Carmichael (OCB),  
Mr J Ford and Mrs C Wilson.

**2. Declaration of Interest -**

The Sub Committee **NOTED** that there were no declarations of interest  
expressed.

**3. Minutes of Last Meeting**

There was circulated for information, the Minutes of the last meeting of the  
Sub Committee held on 21 February, 2013, the terms of which were **NOTED**.

**4. Pension Fund Infrastructure Investment**

There was circulated Report No. INV/3/13 by the Director of Finance which  
provided a briefing for Members on Pension Fund local infrastructure

investment, as a result of increasing interest in this area.

The report highlighted the governance arrangements and particular investment rules and regulations relating to the Council's Pension Fund. While these did not preclude the Pension Fund investing in, for example, local infrastructure, this could only be considered where it was in the Fund beneficiaries best interests, and met the investment objectives of the Fund. When opportunities do arise, the Investment Sub Committee would consider any proposals, appraised against the Fund's investment objectives set out in the report.

Members welcomed the report as it was clear about the balance of considerations that the Sub-Committee were expected to take on Infrastructure investment. In particular reference was made to steps taken to develop a national infrastructure investment vehicle for Pension Funds and progress on this would be monitored by the Sub-Committee. Should any training opportunities arise on Infrastructure investments then Members would be informed of these.

The Sub-Committee **NOTED** and **AGREED** the content of the report.

## **5. Loans Fund Deposit – Investment Returns for Common Good (and other) Funds**

There was circulated Report No. INV/4/13 by the Director of Finance providing background information on the Council's Loans Fund and its deposit returns available, as well as other investment options available to Common Good and other Trust Funds.

The report provided information on the operation of the Council's Loans Fund, and the deposit returns available from it. It highlighted the relevant investment priorities of security/liquidity/return, and highlighted the advantages of the Loans Fund. While alternative options for achieving investment/deposit return exist, these needed to be assessed in the context of the investment priorities, with each scenario considered on its particular circumstances, and consider the administrative efforts and costs associated.

The Sub-Committee **NOTED** and **AGREED** the contents of the report.

## **6. Exclusion of the Public**

The Sub-Committee **RESOLVED** that, under Section 50A(4) of the Local Government (Scotland) Act 1973, the public be excluded from the meeting for the following items on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 6 of Part I of Schedule 7A of the Act.

## **7. Investment Activity Update and Performance Report**

### **i Investment Activity Update Report**

There was circulated to Members only Report No INV/5/13 by the Director of Finance which provided an update on Pension Fund investment matters for the quarter to 31 March, 2013.

The report provided details on the following matters:- Transition of Assets; Private Equity funding draw-down; Tender for Investment Advisor; Member Training, Tax issues.

Following consideration, the Sub-Committee **NOTED** the terms of the report.

ii Performance Report

There was circulated to Members only Report No. INV/6/13 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter to 31 March, 2013.

It was reported that the investment performance of the Combined Fund for the first quarter of 2013 and one, three and five year periods showed an outperformance to the benchmark return. The report also detailed Fund asset allocation, strategic asset allocation and the managers investment performance.

Members welcomed the comprehensive report on Investment performance and welcomed that performance was above benchmark for the overall fund. Members also indicated that they would wish to have a presentation from Partners Group on private equity at a future meeting.

The Sub-Committee **NOTED** the contents of the report.

**8. Inverness Common Good Fund and Associated Funds Investment Report**

There had been circulated to Members only Report No INV/7/13 by the Fund's Investment Advisor which highlighted the diversification of Inverness Common Good and associated Funds under the management of Adam & Company for the quarter ended 31 March, 2013. Adam & Company's investment performances, measured against their respective strategic benchmarks, were also provided. Overall, it was noted that performance of the Funds in this quarter had been exceptionally strong.

The report detailed some future considerations on changes to the way the funds were managed by Adam & Company that the Sub-Committee may wish to consider. Further details on these changes could be provided, when appropriate, by the Investment Advisor.

The view was expressed that opportunities for investment in the Inverness property market by the Inverness Common Good Fund should be considered as this could help to regenerate Inverness City Centre. It was advised that this would be a decision for the City of Inverness Area Committee (CIAC) and as appropriate the Council if changes were proposed to the structure of its investments. The Investment Sub Committee only managed surplus funds available to the CIAC.

A presentation by Adam & Company to this Sub-Committee and the City of Inverness Area Committee would be arranged.

The Sub-Committee **NOTED** the terms of the report.

## 9. Presentation by Schroders

The Chairman welcomed Ms Jennifer Murray and Mr Graeme Rutter from Schroders to the meeting and the Sub-Committee were given a presentation on the background to Schroders, their mandate and market overview; the portfolio performance and activity, and future investment strategy.

Following a question and answer session, the Chairman thanked Ms Murray and Mr Rutter for their presentation.

## 10. Review of Property Mandate

There was circulated to Members only Report No. INV/8/13 by the Director of Finance which provided details of a review of the Fund's property mandate, by the Fund's investment advisor AON Hewitt.

It was advised that the conclusion of the review was that no changes to the current portfolio structure was recommended at this time, based upon the current mandate structure, view of manager quality, and prohibitive costs of restructuring. However, alternative options may be appropriate for consideration by the Sub-Committee in future.

Following consideration, the Sub-Committee:-

- i **NOTED** the mandate review report provided by AON Hewitt;
- ii **AGREED** no change to the mandate structure at this time; and
- iii **NOTED** the potential for alternative options to be considered in future.

The meeting ended at 1p.m.