

# Decision Pathway – Report



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 18 January 2022

<b>TITLE</b>	<b>Ethical and Equitable Investment Policy (EEIP)</b>		
<b>Ward(s)</b>	All		
<b>Author:</b> Glenn Hammons, Gait Collins & Graham Clapp	<b>Job title:</b> Interim Head of Corporate Finance, Finance Manager for Transformation, Head of Revenue and Benefits		
<b>Cabinet lead:</b> Councillor Cheney	<b>Executive Director lead:</b> Mike Jackson		
<b>Proposal origin:</b> BCC Staff			
<b>Decision maker:</b> Cabinet Member <b>Decision forum:</b> Cabinet			
<b>Purpose of Report:</b> To seek approval from Cabinet for the refreshed Ethical and Equitable Investment Policy which will underpin the Council's Treasury Management and Investment strategy			
<b>Evidence Base:</b>			
<b>Background</b>			
<p>Last updated in 2015, the Ethical and Equitable Investment Policy has been refreshed and co-designed with key stakeholders to ensure alignment to the Council's values and other ethical policies e.g. environment policy, economic and renewal strategy, social value etc and is equitable with regards to inclusive access to finance and addressing economic inequalities.</p> <p>The refreshed policy clarifies the purpose and aims and now goes beyond applying exclusions and sets out investment principles based on three aspects:</p> <ul style="list-style-type: none"> <li>• defining who the Council will not invest in (ethical review 1)</li> <li>• being proactive in seeking out investments and investees that are ethical and equitable and provide a positive social and/or environmental impact alongside financial return (ethical review 2)</li> <li>• incorporating equitable investment principles into the policy, which is a pioneering concept for local authority investments (equitable principles)</li> </ul> <p>These three concepts are underpinned by the policy's new statement of investment principles.</p> <p>The policy applies to three areas of investments: treasury investments, service investments and service loans. Treasury investments are for managing surplus cash and are governed by a statutory Treasury Management Code, which effectively limits the types of investments to predominantly financial institutions. Service investment and loans are less restricted as their primary purpose is for social or service benefit and not financial reasons. Such investments include commercial property or investments in wholly owned subsidiaries. The policy does not cover grant investments or pensions, but due regard should be given to the policy when allocating grant investments and representing the Council on the pension's board.</p>			
<b>Changes to note:</b>			
<ol style="list-style-type: none"> <li>1. Ethical review 1 – exclusions list</li> </ol>			

The existing list of exclusions was benchmarked against other investment policies and developed with stakeholder input. This resulted in the addition of new exclusions, such as alcohol and modern slavery. A paragraph has also been included to allow in certain instances, a reasonable time period for an investee to become compliant.

## 2. Ethical review 2 – positive criteria

The policy sets out new positive criteria that can be used to assess investments prioritise investments that achieve direct, positive, local social and/or environmental impact (“impact”) alongside financial return. Priority is also given to investees that incorporate ethical and equitable standards into their business practises e.g. investee pays a living wage.

Such investments are typically riskier and require longer term investment. Therefore, we will take a balanced portfolio approach, whereby maximise the number of investments in the portfolio that provide impact, whilst balancing this with investments that are less financially risky or provide better returns. This is preferable to setting percentage or monetary targets for investment, as this gives greater flexibility to respond to changes in priorities and the investment market, particularly as the responsible investment market is still in the early stages of development.

Due to restrictions imposed by the Treasury management Code, the positive criteria for treasury investments are either ensuring the investee is responsible and sustainable in its business and investment practises or seeking out ESG (environmental, social and governance) impact investments, with the latter having greater priority as they provide more direct benefits.

For service investments and loans, positive criteria have been identified and aligned with corporate priorities and taking into account the equitable investment principles. Some of the positive criteria that have been incorporated include investee paying a living wage, investment leads to reduction in carbon emissions and investment targets geographical areas or populations that are economically disadvantaged.

## 3. Equitable principles

Equitable investment principles have been developed and incorporated for the first time, to enable investments to be used as a lever to help address inequalities affecting disadvantaged groups and communities in Bristol, as well as groups under-represented when it comes to receiving investment. The principles are:

- a. Engaging with local groups – to ensure awareness of investment opportunities by local disadvantaged and under-represented group and improve their chances for successful application.
- b. Targetting investment – to empower communities that experience the greatest inequity. We will place greater weighting on investments which invest in communities and enable greater self-determination. Priority will also be given to investments that achieve positive impact on equalities issues affecting Bristol.
- c. Improving success – by identifying and removing barriers that prevent disadvantaged groups from applying and successfully securing investments.
- d. Collecting and monitoring equalities data – collecting equalities data specifically around investments to improve our intelligence and monitor and track progress and inform our targeted approach.

### **Cabinet Member / Officer Recommendations:**

1. Approve the refreshed ethical and equitable investment policy

### **Corporate Strategy alignment:**

The policy has been deigned to support the Council’s and One City goal for driving “an inclusive, sustainable and healthy city of hope and aspiration, one where everyone can share in its success”. The priorities within the policy have also been aligned with the One City Plan’s ‘A One City: Economic Recovery and Renewal Strategy’ and the Council’s Social Value policy which are:

- Reduce poverty and inequality;
- Increase the city's resilience and environmental sustainability; and
- Enhance community economic and social wellbeing.

**City Benefits:**

The purpose of the policy is ensure investments deliver social and environmental benefits for Bristol, alongside financial return. The incorporation of equitable investment principles will ensure that the policy is inclusive and equitable with regards to access to the Council's funding, as well as helping to address economic inequalities, aligned with policies such as the Council's Equality and Inclusion strategy and Social Value policy

**Consultation Details:**

Workshops were held with key internal and external stakeholders to gain input on the principles and priorities to incorporate into the policy, in particular, ethical review 1's exclusion list, ethical review 2's positive criteria and the equitable investment principles. The stakeholders included cabinet members, local social fund providers with financial expertise and local community anchor groups and representatives.

In support of achieving the objectives of this revised policy, the next phase will be implementation, which will include:

- Engagement with Treasury management advisers (this has already been done to some degree in developing the policy);
- Working with EDMs to make sure that the policy is known about and embedded into investment decisions and processes;
- Engaging internally e.g., with grant investments such as the Community Resilience Fund and externally e.g., with City Funds, to address some of the current gaps such as around equitable access to investments and collection of equalities data around investments.

**Background Documents:**

- Bristol City Council's 2020/2021 Treasury Management Strategy
- Statutory Guidance on local government investments

<b>Revenue Cost</b>	£0	<b>Source of Revenue Funding</b>	N/A
<b>Capital Cost</b>	£0	<b>Source of Capital Funding</b>	N/A
<b>One off cost</b> <input type="checkbox"/>	<b>Ongoing cost</b> <input type="checkbox"/>	<b>Saving Proposal</b> <input type="checkbox"/>	<b>Income generation proposal</b> <input type="checkbox"/>

**Required information to be completed by Financial/Legal/ICT/ HR partners:**

**1. Finance Advice:**

All treasury investments will be in accordance with the Treasury Management (TM) investment strategy and counterparties will have to meet the minimum credit criteria approved by full council to minimise the credit risk exposed to the authority. In addition, it is not expected that ethical and equitable investment returns will be significantly different from the traditional treasury investments that the Council undertake. Where this is the case these will be contained within the capital financing budget.

With regards to service investments, e.g. third party loans, then these such investments will require a separate Cabinet report and will require detailed due diligence to identify and manage the credit risk associated with the Counterparty, where these loans do not meet the minimum credit criteria.

**Finance Business Partner:** Jon Clayton (Finance Manager), 10 January 2022

**2. Legal Advice:** There are no specific legal implications arising from this report. The policy takes into account the Statutory Guidance on Local Government Investments.

**Legal Team Leader:** Husinara Jones, Team Leader/Solicitor 5 January 2022

<b>3. Implications on IT:</b> No implications on IT envisaged in regard to this activity		
<b>IT Team Leader:</b> Gavin Arbuckle (Head of Service Improvement and Performance), 10 <sup>th</sup> December 2021		
<b>4. HR Advice:</b> No HR implications evident		
<b>HR Partner:</b> James Brereton (HR Business Partner), 6 December 2021		
<b>EDM Sign-off</b>	Mike Jackson	15/12/21
<b>Cabinet Member sign-off</b>	Councillor Craig Cheney	20/12/21
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	20/12/21

<b>Appendix A – Further essential background / detail on the proposal</b>	<b>YES</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>NO</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b>	<b>YES</b>
<b>Appendix F – Eco-impact screening/ impact assessment of proposal</b>	<b>NO</b>
<b>Appendix G – Financial Advice</b>	<b>NO</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Exempt Information</b>	<b>No</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b>	<b>NO</b>
<b>Appendix L – Procurement</b>	<b>NO</b>