**Consultation by the Scottish Charity Regulator on draft Charity Investments: Guidance and Good Practice**

**Opens: 13 August 2018**

**Closes: 21 September 2018**

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**1 At a glance**

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| **What is this consultation about?** | The Scottish Charity Regulator has developed guidance about charities and investments that aims to help and support charity trustees of charities that have investments or are considering investing some of the charity’s funds.    The guidance helps to explain the legal duties of charity trustees in the context of managing investments as well as providing support for charity trustees in making investment decisions and working with investment professionals. |
| **Who should read this?** | Charity trustees of charities:   * that have investments * that are considering investing some of the charity’s funds * that may be about to receive investments as a donation which would be the first investments the charity has had * with endowment funds consisting of investments. |
| **How can feedback be provided?** | Comments and suggestions on the draft guidance can be provided by email to [**info@oscr.org.uk**](mailto:info@oscr.org.uk). |
| **When does the consultation close?** | The consultation will be open for 6 weeks from **13 August 2018 to 21 September 2018.** |
| **What will happen next?** | Once the consultation has closed, we will review all the responses and consider how we can improve the guidance to ensure it is helpful and user-friendly. We will also consider whether further resources about charities and investments might be needed and how these might be made available to charities.  We aim to publish the final version of this guidance in November 2018. |
| **I have a question about this, where can I get further information?** | If you have a query about the draft guidance and the consultation process, please email [**info@oscr.org.uk**](mailto:info@oscr.org.uk) and include ‘Investment guidance consultation’ in the subject line. |

**2 Introduction**

Charities of all shapes and sizes hold investments which often take different forms and demand differing levels of management and expertise. This guidance has been developed to support charity trustees of charities that hold investments, regardless of the size of the charity and whether the charity has held investments for a long period of time or are just starting out on their investment journey.

The management of any charity asset is important – charity trustees are the guardians of their charity’s assets. Charity trustees need to take appropriate care of the assets so that the charity has sufficient funds to deliver its charitable activities both in the short and long term.

We have developed this guidance to provide assistance and support to charity trustees so that they understand how their legal duties as trustees relate to the management of investments and some of the basic principles and tasks of investment management. We also hope the guidance will support trustees in being more confident in their discussions with investment managers and other professionals by helping their understanding of commonly used terms in relation to investments.

We are very grateful for the support and assistance of **Julie Hutchison of Aberdeen Standard Investments** and our reference group of investment managers and charity finance directors (listed in full at [**appendix 1**](#Appendix)) in developing this draft guidance. We are now seeking the views of potential users of the guidance to inform its development and help us ensure it addresses the issues commonly experienced in this area.

**3** **The consultation process**

This consultation runs from **13 August to 21 September** and feedback is welcomed by email to [**info@oscr.org.uk**](mailto:info@oscr.org.uk). Your comments can be short and specific to any part of the draft guidance or you can comment on the full document – we are grateful for all feedback whether it is complimentary or highlights where improvements are needed. We have provided three questions in [**section 5**](#Five) for you to consider when responding.

The consultation process is a valuable way for us to understand how we can improve the draft guidance to ensure it is helpful and covers the key issues that charity trustees may have in relation to investments. While we cannot cover every situation or issue, we aim to deal with the common queries and challenges that charity trustees may have.

Your feedback is critical in helping us to shape this guidance so that all charities in Scotland that have investments or may be considering investing feel well supported in this area of their operations.

**4 Overview of what the guidance covers**

The draft guidance contains information about legal requirements and duties as well as good practice suggestions. It is not intended to provide detailed guidance on investments and finance and does not constitute investment advice or cover the tax implications of investments.

The guidance starts off with the basics to ensure that all readers share a common understanding of what we mean by ‘investments’.

It then goes on to look at why charities hold investments, to ensure that charity trustees have a clear understanding of what they are trying to achieve with managing investments, and to ensure there is a clear focus on the purposes of the charity.

From there the guidance looks at what charity trustees can and should do in relation to investments, covering the powers that charity trustees have and looking at how the legal duties of charity trustees are relevant in this area.

The remainder of the guidance addresses issues relating to investments that charity trustees frequently find challenging. For example, what should be considered when deciding what investments to hold; how to create and implement an investment policy statement; and what to consider when engaging a professional to help the charity trustees look after the investments.

The guidance also looks at what charity trustees need to include in their annual report and accounts where they hold investments.

There are case studies within the guidance that help to illustrate some of the key messages and issues. We are also seeking further case studies to supplement those already included as part of the consultation process.

**5 How to participate in the consultation**

We would welcome your comments on the draft guidance and suggestions for change as well as further case study examples.

We have four key questions about the guidance which are shown below but you can also send us any comments in addition to or instead of your answers to these questions.

Questions:

1. In your opinion do you think the guidance is clear and easy to understand for charities of all shapes and sizes?
2. Do you think the guidance covers the key issues that charity trustees experience in relation to investments? If not, please explain what else you think it should cover.
3. Do you have a case study relating to charity investments that you are happy to share, for possible inclusion on our website?
4. What other resources do you think it would be helpful for us to include on our website to help charity trustees in relation to investments?

**Appendix – reference group members**

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| Louise Devine | Archdiocese of Glasgow |
| Jane Ferguson | Edinburgh and Lothians Health Foundation |
| Amanda Forsyth | Murray Asset Management UK Limited |
| Pauline Hinchion | Scottish Community Re:Investment Trust |
| Lynne Lamont | Brewin Dolphin |
| Alastair Wilson | Brooks Macdonald |