HEALTH PROFESSIONS COUNCIL (HPC)

INVESTMENT POLICY

1 INTRODUCTION

1.1 HPC commenced operations on 1 April 2002 inheriting the net assets and reserves of the Council for Professions Supplementary to Medicine (CPSM).

1.2 The investment portfolio, currently managed by Carr Sheppards Crosthwaite (CSC), was valued at that time at £2,146,012 exclusive of cash balances held for investment.

1.3 The purpose of the fund is to maintain surplus funds and reserves in a moderately liquid state for short- or medium-term requirements. It is not the intention that the fund is a long-term investment.

2 INVESTMENT POLICY

2.1 The inherited investment policy is to seek a balanced return from income and from capital growth and no change from this position is sought at this time.

2.2 However during the two years commencing 1 April 2002 there may be significant pressures on liquidity to fund the development of the HPC processes not covered by Department of Health (DoH) grants and prior to the authorisation of fee increases by the Privy Council. Additional expenditure on communications (including the consultation process), computer systems and the development of the office will need to be funded, as will the payment of fees and expenses to Council members and partners.

2.3 Therefore there is unlikely to be any increased capital available for investment initially and indeed it is possible that we may even have to withdraw funds from the portfolio during 2002/3.

2.4 A lower risk policy is required to maintain liquidity either through cash or fixed interest securities. This can be reviewed in two years' time after increased fee levels have been attained and DoH grants are no longer forthcoming.

3 ETHICAL POLICY

3.1 Historically the brokers have been requested not to invest in companies trading in tobacco. Specific stocks can be excluded from time to time on an ad hoc basis.

4 FEES

4.1 No specific management fee has been paid whilst the fund belonged to CPSM, CSC being remunerated purely by commissions on transactions. This historically has been beneficial. If fees were charged they would be based on 0.6% of the valuation (including cash available for investment) up to £2,000,000 and 0.3% of the valuation thereafter. No change is suggested at this time but the position will be reviewed on an annual basis.

5 BENCHMARKING

5.1 Notwithstanding the performance indicators outlined in the formal Quarterly Valuations, HPC reserves the right to undertake the review of the performance of the portfolio using a benchmarking agency.

6 REPORTING

6.1 Formal valuations will be produced for the Finance & Resources Committee on a quarterly basis, although each month a valuation and transaction history will be produced for accounting purposes. The Fund Manager will attend at least once a year and review the portfolio with the Committee.

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