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STATUTORY INSTRUMENTS

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**1987 No. 1850**

**The Local Government Superannuation  
(Scotland) Regulations 1987**

**PART P**

**SUPERANNUATION FUNDS AND PAYMENTS BY AUTHORITIES**

**Use and Investment of superannuation funds' moneys**

- P6.**—(1) Subject to paragraphs (3) to (7), an administering authority—
- (a) shall invest any moneys forming part of the superannuation fund or funds maintained by them (“fund moneys”) that are not for the time being required to meet payments to be made out of the funds under these Regulations, and
  - (b) may vary the manner in which any fund moneys are for the time being invested.
- (2) For the purposes of this regulation and of regulation P5(c), investment includes—
- (a) any contract which by virtue of section 45 of the Finance Act 1984<sup>(1)</sup> (extension of pension schemes' tax exemptions to dealings in financial futures and traded options) is to be regarded as an investment for the purposes of the enactments referred to in that section, and
  - (b) use by the administering authority for any purpose for which they have a statutory borrowing power.
- (3) On the total of any fund moneys used by them and for the time being not repaid an administering authority shall pay interest to the fund at a rate no lower than the lowest rate at which that amount could have been borrowed by them at arm's length, otherwise than by way of overdraft from a bank, at 7 days' notice.
- (4) An administering authority shall not—
- (a) make any investment in securities of companies other than listed securities so as to cause the total value of such investments (except investments made in accordance with a scheme under section 11 of the Trustee Investments Act 1961<sup>(2)</sup>) to exceed 10% of the value at the time of all investments of fund moneys, or
  - (b) make any investment, other than—
    - (i) an investment made in accordance with a scheme under section 11 of the Trustee Investments Act 1961, or
    - (ii) an investment falling within paragraph 1 of Part I or paragraph 1 or 2 of Part II of Schedule 1 to that Act, or

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(1) 1954 c. 43

(2) 1961 c. 62

(iii) a deposit with an institution authorised for the purposes of section 3 of the Banking Act 1987<sup>(3)</sup> or with a person for the time being specified in Schedule 2 to that Act, so as to result in more than 5% of the value at the time of all investments of any fund's moneys being represented by a single holding, or

(c) make any deposit falling within sub-paragraph (b)(iii) so as to bring the aggregate of any fund's moneys deposited with any one bank, institution or person other than the National Savings Bank to an amount which exceeds 10% of the value at the time of all investments of that fund's moneys, or

(d) lend to any person other than Her Majesty's Government in the United Kingdom or the Government of the Isle of Man, or use as mentioned in paragraph (2), or deposit with a person specified in paragraph 12 or 13 of Schedule 2 to the Banking Act 1987, any fund moneys so as to bring the aggregate of any fund's moneys so lent, used or deposited to an amount which exceeds 10% of the value at the time of all investments of that fund's moneys.

(5) For the purposes of paragraph (4)(d) moneys are not lent if they are invested in registered securities to which section 1 of the Stock Transfer Act 1963<sup>(4)</sup> applies or in listed securities.

(6) In the discharge of their functions under this regulation an administering authority shall have regard—

(a) to the need for diversification of investments of fund moneys,

(b) to the suitability of investments of any description of investment proposed and of any investment proposed as an investment of that description, and

(c) to proper advice, obtained at reasonable intervals.

(7) Paragraph (6)(c) does not apply where functions under this regulation are lawfully discharged, under arrangements made under section 56 of the Local Government (Scotland) Act 1973<sup>(5)</sup> or otherwise, by an officer who is competent to give proper advice.

(8) Where any fund moneys are used as mentioned in paragraph (2), sub-paragraphs (2) and (3) of paragraph 25 of Schedule 3 to the Local Government (Scotland) Act 1975<sup>(6)</sup> shall apply as they apply in the case of money so used under that paragraph; but except as aforesaid that paragraph shall not apply to a superannuation fund maintained under these Regulations.

(9) An administering authority may pay out of fund moneys any costs, charges and expenses incurred by them in the discharge of their functions under this regulation.

(10) For the purposes of this regulation—

“companies” includes companies established under the law of any territory outside the United Kingdom;

“listed securities” means securities in respect of which a listing has been granted and not withdrawn—

(a) on a stock exchange in the United Kingdom which is a recognised stock exchange within the meaning of the Prevention of Fraud (Investments) Act 1958<sup>(7)</sup>, or

(b) on a stock exchange outside the United Kingdom of international repute;

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(3) 1987 c. 22

(4) 1963 c. 18; section 1 was amended by virtue of the Interpretation Act 1889 (c. 63), section 38(1), and by the Finance Act 1964 (c. 49), Schedule 9, and the Post Office Act 1969 (c. 48), section 108(1)(f).

(5) 1973 c. 65; section 56 was amended by the Local Government and Planning (Scotland) Act 1982 (c. 43), section 32.

(6) 1975 c. 30

(7) 1958 c. 45

“local authority” means a local authority within the meaning of the Local Government (Scotland) Act 1973 or the Local Government Act 1972<sup>(8)</sup>, the Common Council of the City of London, the Council of the Isles of Scilly, and a district council within the meaning of the Local Government (Northern Ireland) Act 1972<sup>(9)</sup>;

“proper advice” means the advice of a person, including an officer of theirs, who is reasonably believed by the administering authority to be qualified by his ability in, and practical experience of, financial matters;

“securities” includes shares, stock and debentures;

“single holding” means investments—

- (a) in securities of, or in units or other shares of the investments subject to the trusts of unit trust schemes managed by, or in loans to or deposits with, any one body, or
- (b) in the acquisition, development or management of, or in any advance of money upon the security of, any separate interest in any one item of heritable property, or
- (c) in the acquisition of any one item of moveable property;

and the value at any time of all investments of fund moneys is to be taken to include the amount of any fund moneys used as mentioned in paragraph (2) and for the time being not repaid.

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<sup>(8)</sup> 1972 c. 70  
<sup>(9)</sup> 1972 c. 9 (N.I.).