

Committee	FULL COUNCIL
Date	15 November 2021
Agenda Item	7g

To consider investing in the CCLA

The Public Sector Deposit Fund/CCLA:

CCLA (Churches, Charities & Local Authorities) is a mutually owned firm of investment managers, owned by LAMIT (Local Authorities Mutual Investment Trust), the Church of England (Central Board of Finance) Investment Fund and the Charities (COIF) Investment Fund;

- we have 35,000+ clients and manage £14bn+ of cash and investments;
- the Local Government Association invited us to develop the Fund in collaboration with the sector, as a result of the Icelandic banking crisis. It was launched in May 2011;
- The PSDF is a “Qualifying Money Market Fund” (QMMF) which is classed as a “low volatility net asset value” (LVNAV) short term money market fund. The fund is managed with the priorities of security, liquidity and yield.
- The fund is not covered by the FSCS, but it has a AAmmf credit rating by Fitch (highest possible rating)
- The rating was affirmed on the 10 September 2021 by the credit rating agency, Fitch Ratings and offers an independent assessment of the strength of the fund. The rating reflects the Fund’s extremely strong capacity to achieve the investment objectives of preserving principal and providing shareholder liquidity through limiting credit, market and liquidity risk. The main drivers of the AAmmf rating are the high credit quality of the portfolio, the limited range of invested security types and the Fund’s highly conservative investment guidelines as well as Fitch's assessment of the competencies of CCLA.
- the Fund boasts strong governance with an Advisory Board made up of representatives of the LGA, CIPFA and treasury specialists from the sector, including representatives of the LB of Waltham Forest and the GLA;
- transparency is key with everything published on CCLA’s website - <https://www.ccla.co.uk/investment-solutions/fund/the-public-sector-deposit-fund>. You will find the latest yield (0.0279%, net of fees at close of business on 19/08/2021), yield history, counterparty exposure, fund size, outstanding transactions by maturity date, etc - all updated at close of business each day;
- the Fund is managed on a very conservative basis (beyond the requirements of AAmmf rating), only using plain cash products and instruments with well rated (minimum F1 short term) banks: call; term and certificates of deposit - the kind of products that Councils themselves feel comfortable using. There is no exposure to the stock market, derivatives, other funds, asset backed securities - nothing exotic;

- the minimum initial investment is just £25,000 so there are a number of parish and town councils making use of the Fund, besides principal authorities;

- access is same day. We have an 11:30 cut-off time for instructions;

- the Fund has exceeded £1.5b under management with 600+ clients (including 22 County/unitary Councils, 400+ Parish, Town and Community Councils and 100+ District/Borough Councils, Police, Fire plus the LGA, NALC, 6 County Associations, SLCC, NILGA, 3 Port Authorities and 2 crematoriums), a trigger point for the activation of additional share classes. However, the minimum requirement for share class 4 investors (£15m) has been waived for the time being to allow all investors to take advantage of the lowest fee and most favourable yield, highlighted above. The yield we quote on-line is net of all fees;

- as the Fund grows and a dividend payment would be due to LAMIT, it has been agreed to reduce fees in the true spirit of mutuality. As a share class 4 investor the fee is currently 0.06%.

-the assets of the fund are strictly placed within agreed limits with a diversified list of quality counterparties in order to achieve a low level of risk and high security of capital, the list of approved counterparties is constantly monitored following credit rating upgrades or downgrades. Prior to adding a counterparty to the approved list of financial institutions we assess corporate governance, approach to sustainability and climate change.

The Public Sector Deposit Fund ("PSDF") is a UK regulated fund and is subject to the FCA COLL Regulations ("COLL"). COLL requires that the assets of a regulated fund are held by the Depositary of the fund. The Depositary is responsible for the safe keeping of the assets of the fund. The Depositary of PSDF is HSBC Bank plc. The assets of the fund cannot be co-mingled with the assets of CCLA. While CCLA is the manager of PSDF, PSDF is a separate legal entity. The assets of PSDF could not be combined with the assets of CCLA in the event of the insolvency of CCLA.

Recommendation : that councillors approve the investment of the recently matured Bond in the public Services Deposit Fund of the CCLA.



Sarah Greator Town Clerk