

## Report for Portishead Town Council

### Investments

#### The Public Sector Deposit Fund/CCLA

The Council are currently holding some funds in reserve which are generating a small amount of interest. In this current economic period of Interest rates increasing, it would be prudent to invest some of the reserves to generate a greater return.

#### **Recommendation to Invest: £100,000 in the Public Sector Deposit Fund / CCLA**

Enclosed with this report is a Factsheet about the Public Sector Deposit Fund/CCLA

A few main bullet points are:

- Fund-size is £1.2bn+, yield 2.7375%, net of fees (15/11/2022)
  
- 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;
  
- They have 35,000+ clients and manage £14bn+ of cash and investments;
  - The Local Government Association invited them 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;

- 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. There is an 11:30 cut-off time for instructions;

- The Fund has exceeded £1.2b 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)

- As a share class 4 investor the fee is currently 0.08%.

- 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.
- The Public Sector Deposit Fund is a short term LVNAV Qualifying Money Market Fund. This change from the previous Constant Net Asset Value (CNAV) structure is the result of European reforms intended to replicate some of the utility of the previous CNAV funds but with greater sensitivity to market pricing and extra controls built into the fund structure to protect investors. The Fund is not covered by the Financial Services Compensation Scheme, nor is it a guaranteed investment. An investment in the Fund is different to an investment in deposits and Investors may not get back what was invested. The risk of loss is borne by the Investor. The Fund does not rely on external support for guaranteeing liquidity or stabilising the share price. Further information can be found in the Scheme Prospectus