

**Report Purpose:**

14. Investment Position Statement

**Author:**

Town Clerk

**Background**

The Town Council's Investment Strategy was approved in Mar 2024. The Strategy states that at the end of the financial year, the Town Clerk/RFO will provide a report on the performance of the Council's investments and an Investment Position Statement to the Council.

Within the annually produced Investment Position Statement, the Council will report on:

- Return on investments as an indicator of investment performance
- Debt to net revenue expenditure (gross debt as a percentage of net revenue expenditure, where net revenue expenditure is a proxy for the size and financial strength of a local authority)

**Statutory Guidance**

Statutory Guidance has been issued by the Government on Local Government Investments (3rd Edition) issued under section 15 (1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018. The key principles of the guidance are transparency and democratic accountability. The guidance is statutory for parish councils, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year.

The guidance states that where authorities are holding treasury management investments for more than 12 months, they should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions.

**1.1 Investment Indicators**

The Town Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions. **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses.

*Table 1: Total investment exposure*

<b>Total investment exposure</b>	<b>31.3.2022 Actual</b>	<b>31.3.23 Actual</b>	<b>31.3.24 Actual</b>
CCLA Account	£815,238.81	£830,769.72	£872,288.91
Total Investments	£815,238.81	£830,769.72	£872,288.91
<b>Total Exposure</b>	£815,238.81	£830,769.72	£872,288.91

**How investments are funded:** Government guidance is that these indicators should include how investments are funded. The Council does not fund any of its investments from borrowing, and are only funded by usable reserves, income received in advance of expenditure and income received from rental of buildings and allotments.

**Rate of return received:** This indicator shows the investment income received.

*Table 2: Investment return*

<b>Investment net rate of return</b>	<b>31.3.2022 Actual</b>	<b>31.3.23 Actual</b>	<b>31.3.24 Actual</b>
CCLA Account	£815,238.81	£830,769.72	£872,288.91
Total Returns	£361.42	£15,530.91	£41,519.19

**2. Treasury Management Statement** Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council typically receives its income in cash (e.g., from services) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities can lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.

The Authority has invested money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted with due regard to the Chartered Institute of Public Finance and Accountancy's Guidance for Smaller Public Organisations on the Application of the CIPFA Code of Practice Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) (2018) (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's obligation to have regard to the CIPFA Code and any other appropriate guidance.

- **Security**

The Council will only invest in institutions of high credit quality – based on information from approved credit rating agencies. High credit quality is defined as a body or investment scheme with an 'A' or P1 rating.

The Council currently has one investment with the CCLA Investment Management Ltd and a current Bank Account with Barclays Bank.

**The Public Sector Deposit Fund** - as at 31 March 2024 the Fitch Ratings were confirmed as AAmmf (a risk-weighted measure that considers the credit quality and maturity profile of the portfolios' securities)

### **3. Recommendations**

3.1 That members note the Investment Position Statement

### **4. Financial Implications**

There will be no financial implications as a direct result of this report, but The Council shall be able to amend or make variations to the Policy at any time following consideration of recommendations from the Town Clerk/RFO. Where the Council proposes to make a material change to its Investment Strategy during the year a revised Strategy should be presented to full council for approval before the change is implemented, such changes could include a change to Capital Reserves held due to Capital project costs.

The CCLA Funding Fact Sheet is attached as of 31<sup>st</sup> March 24.

# The Public Sector Deposit Fund

## Fund fact sheet – 31 March 2024

### Investment objective

To maximise the current income consistent with the preservation of principal and liquidity.

### Investment policy

The fund will be invested in a diversified portfolio of high-quality sterling denominated deposits and instruments. All investments at the time of purchase will have the highest short-term credit rating or an equivalent strong long-term rating. The fund is actively managed, which means the authorised corporate director uses their discretion to pick investments, in pursuit of the investment objective.

The weighted average maturity of the investments will not exceed 60 days. The fund will not invest in derivatives or other collective investment schemes.

### Target investors

The fund is designed for investors who are looking for capital security and a competitive yield for their short-term investments.

### Who can invest?

Any public sector organisation can invest in the fund, but it may be marketed to any retail or professional client. Share class 4 is reserved for public sector organisation investment only.

### Responsible investment policy

The fund is managed in accordance with CCLA's values-based screening policy which can be found in the policies and reports section on our website.

We monitor our counterparties' environmental, social and governance risk management on a regular basis and take action if necessary. This process is based on the work of our in-house Sustainability team and their data providers. Additional information is available on request.

### Key risks

Investors should consider the following risk factors before investing: issuer/credit risk (issuer/financial institution may not pay), market risk (investment value affected by market conditions), operational risk (general business operational risks), maturity profile (timings of investment maturity), liquidity risk (investment in non-readily realisable assets), concentration risk (need for diversification and suitability of investment) and interest rate risk (changes to interest rate affecting income). Please see the fund prospectus for more details.

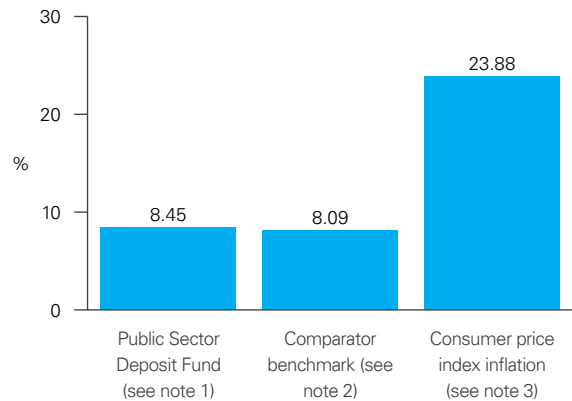
### Top 10 counterparty exposures (%)

9.78%	Landesbank Baden-Wuerttemberg
9.78%	Yorkshire Building Society
6.90%	DBS Bank Limited
4.60%	BNP Paribas
4.60%	Landesbank Hessen-Thuringen Girozentrale
4.60%	MUFG Bank
4.60%	Nordea Bank AB
4.60%	Royal Bank of Canada
4.60%	SMBC Bank International plc
4.60%	Sumitomo Mitsui Trust Bank

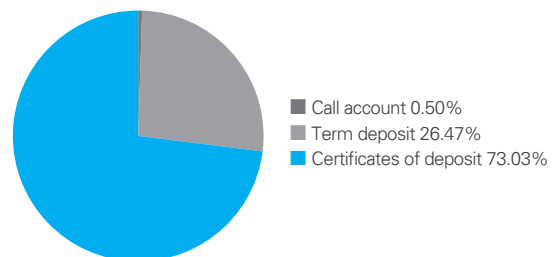
### Share class 4 yield as at 31 March 2024

**5.26%**

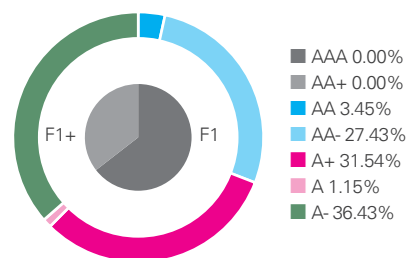
### 5 years performance



### Asset type (%)



### Credit rating (%) see note 4



### Top 10 country exposures (%)

19.87%	UK
16.69%	Japan
15.54%	Germany
11.69%	France
11.51%	Singapore
9.21%	Canada
4.60%	Finland
3.68%	Denmark
3.45%	Sweden
1.27%	Netherlands

Note 1: Source: CCLA - Performance shown after management fees and other expenses, with the income reinvested. The daily yield on the fund will fluctuate, and past performance is not a reliable indicator of future results. Note 2: From 1 January 2021, the comparator benchmark is the Sterling Overnight Index Average. Before 1 January 2021, the comparator benchmark was the 7-Day Sterling London Interbank Bid Rate. Note 3: consumer price index inflation is lagged one month. Note 4: Using Fitch Ratings methodology.

## Income

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Average yield over the month	5.23%
Yield at the month-end shown	5.26%

## Total return performance by year

12 months to 31 March	2020	2021	2022	2023	2024
The Public Sector Deposit Fund	+0.72%	+0.15%	+0.11%	+2.17%	+5.11%
Comparator benchmark	+0.52%	-0.04%	+0.14%	+2.25%	+5.05%
Relative (difference)	+0.20%	+0.19%	-0.03%	-0.08%	+0.06%

## Annualised total return performance

Performance to 31 March	1 year	3 years	5 years
The Public Sector Deposit Fund	+5.11%	+2.44%	+1.64%
Comparator benchmark	+5.05%	+2.46%	+1.57%
Relative (difference)	+0.06%	-0.02%	+0.07%

Performance shown after management fees and other expenses, with the income reinvested. From 1 January 2021, the comparator benchmark is the Sterling Overnight Index Average. Before 1 January 2021, the comparator benchmark was 7-Day Sterling London Interbank Bid Rate. **Past performance is not a reliable indicator of future results.** Source: CCLA

## Market update

In the UK consumer price inflation (CPI) fell significantly to an annual rate of 3.4% in February from 4.0% the previous month, according to the latest figures. A sharp reduction in the rate of food price inflation was a key driver of the decline in the headline rate; though core CPI, which strips out the especially volatile elements of the headline figure including food and energy prices, also fell, from 5.1% to 4.6%. Other UK data confirmed that the economy had contracted slightly in each of the final two quarters of 2023, representing a technical recession. However, the latest releases from the Office of National Statistics (ONS) suggested some improvement in activity levels. Real (after inflation) household income was reported to have risen slightly in the final quarter of last year; while economic growth in the month of January 2024 had returned to positive territory, at 0.2%. A key leading indicator, the S&P Global purchasing managers' index (PMI), also pointed to modestly positive momentum overall over the first quarter of the year. The services sector has for some time shown greater resilience than the manufacturing sector.

The UK appeared to have trailed its global peers in terms of growth. The Office for National Statistics (ONS) presented its first estimate of economic activity in the final quarter of 2023, finding that there had been a contraction of 0.3%. Following on from a decrease of 0.1% in the previous quarter, this represented a technical recession. For the full year, the economy was believed to have moved largely sideways with a GDP increase of 0.1%.

## Key facts

Authorised corporate director	CCLA Investment Management Limited
Fund size	£869m
Fitch money-market fund rating	AAAmf
Weighted average maturity	51.59 days
Launch date	May 2011
Dealing day	Each business day (see note 5)
Withdrawals	On demand
Fund domicile	United Kingdom
ISIN (share class 4)	GB00B3LDFH01
Interest payment frequency	Monthly
Ongoing charges figure	0.08% (see note 6)

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Note 5: Dealing instructions (including cleared funds for purchases) must be received by 11:30am.  
Note 6: The ongoing charges figure is based on the annual management charge (including portfolio transaction costs).

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