



# LLANHARAN COMMUNITY COUNCIL TREASURY & INVESTMENT POLICY

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## Policy Background

- 1.1 Llanharan Community Council's treasury and investment policy and its associated strategy are conducted in accordance with:
  - i) The Local Government Act 2003 (the Act) and supporting regulations. This requires the Council to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
  - ii) Statutory guidance on local government investments (issued subsequent to the Act) which requires the production of an Annual Investment Strategy and gives guidance on how this should be completed.
- 1.2 It is uncommon for a community council to hold investments other than in the form of easily accessible bank deposits or other short-term savings accounts. These are often used to maximise income from cash balances during the financial year.
- 1.3 The legislation and associated guidance are optional for community councils where investments are not expected to exceed £100,000 and no action is required below £10,000. However, for Councils where the sums involved exceed £100,000, the guidance is mandatory.

## Definitions

- 1.4 Investments – all investments of more than 12 months in duration. This is treated as capital and all sums involved must be used for capital expenditure when the investment period ends.
- 1.5 Treasury – all cash deposits held in bank accounts which includes bonds of up to 12 months in duration.

## Policy Objectives



- 1.6 The overriding policy objectives are:
- i) To invest prudently to ensure the security of the principal sums.
  - ii) To maintain liquidity in the portfolio to meet the council's spending plans.
  - iii) To mitigate risk.
  - iv) To seek the optimum returns available whilst remaining consistent with the proper levels of security and liquidity.

### **Investment Policy**

- 1.7 The Council will not hold funds other than in bank accounts or deposit bonds of 12 months or less in duration.

### **Treasury Policy**

- 1.8 The Council will hold **all** funds as instant access either as cash deposits in banks accounts or with CCLA Public Sector Deposit Fund rated as AAmmf (Money Market Fund). AAmmf signifies the highest credit quality rating assigned by credit rating agency Fitch.
- 1.9 A business account will be maintained with sufficient funds for day-to-day transactions and to receive the precept and business income.
- 1.10 Currently all the Councils cash deposits, both current account and reserves reside with Barclays Bank & the CCLA Public Sector Deposit Fund.
- 1.11 Full Council approval is required if a deposit is with an institution with which the council does not already hold an account. The RFO has delegated authority to deposit funds in the CCLA Public Sector Deposit Fund with approval from PSDF mandate holders and report this back to the council.
- 1.12

Risk Warning - it must be noted that the purchase of PSDF shares is not the same as making a deposit with a bank or other deposit taking body and is not a guaranteed capital return.

A procedure for making a deposit can be found in Appendix A



## **Appendix A**

### **Procedure for Deposits**

1. RFO to identify an appropriate deposit account or short-term bond with a financial institution that fits with the council's treasury policy.
2. Approval of full council is sought if the deposit is with a financial institution not currently used by the council.
3. The RFO actions the opening of the account and the setting up of the bank mandate. for council members to sign in accordance with the financial regulations.
4. Two PSDF mandate holders action the deposit/transfer of funds via a completed PSDF subscription note and deposits will be raised up to a maximum daily limit of £50 000 following the normal payment procedure as detailed in the financial regulations.
5. Details of the deposit/subscription to be reported to the council.

### **Procedure for Bank Transfers**

1. Delegated authority is given to the RFO to make transfers between the accounts of the same bank without prior approval of the council.
2. Transfers from PSDF to the Barclays Current Account will be identified in the first instance by the RFO and approved by 2 PSDF mandate holders via a completed redemption form.
3. Details of all transfer/redemption to be reported to the council.



## Appendix B

06 FEB 2023

### Fitch Affirms 2 CCLA Money Market Funds at 'AAAmmf'

Fitch Ratings - London - 06 Feb 2023: Fitch Ratings has affirmed two money market funds (MMF) managed by CCLA Investment Management Limited (CCLA) at 'AAAmmf':

CCLA - COIF Charities Deposit Fund (COIF)

CCLA Public Sector Investment Fund - The Public Sector Deposit Fund (PSDF)

#### KEY RATING DRIVERS

The affirmation of the MMF Ratings is driven by the funds' high credit quality and diversification, high levels of daily and weekly liquid assets and low exposure to interest-rate and spread risks. The ratings also reflect the capabilities and resources of CCLA as investment manager.

#### CREDIT RISK

The funds' Portfolio Credit Factor (PCF), which is a risk-weighted measure that considers the credit quality and maturity profile of the portfolio securities, met Fitch's 'AAAmmf' rating criterion of 1.5 or less throughout the review period.

#### LIQUIDITY RISK

The funds had at least 10% of total assets in securities offering daily liquidity and at least 30% of total assets in securities providing weekly liquidity, consistent with the 'AAAmmf' rating range, throughout the review period.

#### MARKET RISK

The funds' weighted average maturity and weighted average life were below 60 days and 120 days (the 'AAAmmf' rating range), respectively, throughout the review period.

#### FUND PROFILE

Fitch views the legal and regulatory frameworks of the funds satisfactory.

COIF is a common deposit fund, governed by the Charities Act 2011 (as amended) and authorised by the Charity Commission. It is managed as an alternative investment fund and falls under the alternative investment fund managers' directive (AIFMD) legislation as defined in the scheme



particulars. The fund is authorised and supervised in the UK by the Financial Conduct Authority as a short-term low volatility net asset value MMF as defined in EU Money Market Fund Regulation 2017/1131.

PSDF is a sub-fund of the umbrella fund, CCLA Public Sector Investment Fund, which is an open-ended investment company that falls under the UCITS directive. The fund is authorised and supervised in the UK by the Financial Conduct Authority as a low volatility net asset value MMF as defined in Regulation (EU) Money Market Fund 2017/1131.

The CCLA COIF Charities Deposit Fund investment objective is to provide a high level of capital security and a competitive yield.

The CCLA Public Sector Investment Fund - The Public Sector Deposit Fund (PSDF) investment objective is to maximise current income consistent with the preservation of principal and liquidity by investing in a diversified portfolio of high-quality sterling-denominated deposits and instruments. The primary objective is to maintain the net asset value of the fund at par (net of earnings).

## **INVESTMENT MANAGER**

CCLA is a UK-based fund management group offering a range of fund products. CCLA is jointly owned by CCLA Executive Directors, The CBF Church of England Investment Fund, The COIF Charities Investment Fund and The Local Authorities' Mutual Investment Trust. An independent operational risk, internal audit and compliance team maintains oversight of the fund's operations. As at end-March 2022, CCLA managed GBP13.9 billion of assets. Fitch deems CCLA suitably qualified, competent and capable of managing the rated funds.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

The ratings are at the highest level on Fitch's scale and therefore cannot be upgraded.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Fitch's stress testing shows that the ratings are robust at their current levels. However, material negative credit developments (downgrades) in underlying portfolio holdings and /or material unexpected and short-term redemptions could negatively affect the funds' rating profiles, potentially leading to downgrades.

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**Rating Actions**

ENTITY/DEBT	RATING		RECOVERY	PRIOR
CCLA - COIF Charities Deposit Fund	MMF	AAAmf	Affirmed	AAAmf
CCLA Public Sector Investment Fund - The	MMF	AAAmf	Affirmed	AAAmf
Public Sector Deposit Fund				

**RATINGS KEY OUTLOOK WATCH**

<b>POSITIVE</b>	⊕	◆
<b>NEGATIVE</b>	⊖	◆
	⊙	◆



**EVOLVING**

**STABLE**

## **Applicable Criteria**

[Money Market Fund Rating Criteria \(pub.02 Nov 2021\)](#)

## **Additional Disclosures**

[Solicitation Status](#)

[Endorsement Status](#)

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# 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 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

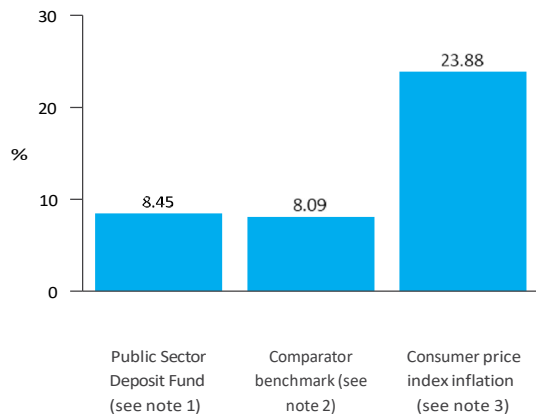
Investors should consider the following risk factors before investing: issuer/credit risk (issuer/financial institution may not pay), market risk (investment value affected by market conditions), operational risk (general business operational risks), maturity profile (timings of investment maturity), 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 (%)

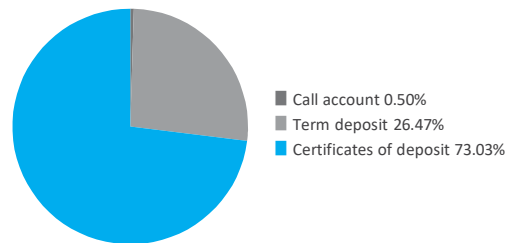
### Share class 4 yield as at 31 March 2024

5.26%

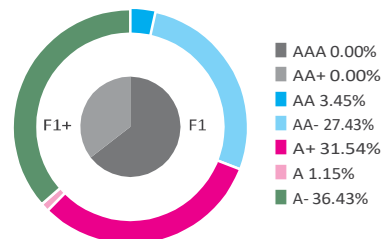
### 5 years performance



### Asset type (%)



### Credit rating (%) see note 4



### Top 10 country exposures (%)



9.78%	Landesbank Baden-Wuerttemberg	19.87%	UK
9.78%	Yorkshire Building Society	16.69%	Japan
6.90%	DBS Bank Limited	15.54%	Germany
4.60%	BNP Paribas	11.69%	France
4.60%	Landesbank Hessen-Thuringen Girozentrale	11.51%	Singapore
4.60%	MUFG Bank	9.21%	Canada
4.60%	Nordea Bank AB	4.60%	Finland
4.60%	Royal Bank of Canada	3.68%	Denmark
4.60%	SMBC Bank International plc	3.45%	Sweden
4.60%	Sumitomo Mitsui Trust Bank	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

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)

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). **Please Contact Kelly Watson** Market Development T: +44 (0)207 489 6105

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