

Bucklesham Parish Council

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Report on CCLA Investment Management Ltd

By Ruth Johnson, Clerk

For Bucklesham Parish Council meeting on 13th March 2024

Purpose of Report

Cllrs Bickers and Roper attended the SALC Conference on 29th November 2023, and Cllr Bickers was very interested in the session from CCLA (Churches, Charities and Local Authorities) Investment Management Ltd. I have compiled this report to help the Council to decide whether they should invest Community Infrastructure Levy funds with CCLA.

Background

There are three funds that the CCLA Investment Management Ltd, who are authorised and regulated by the FCA (Financial Conduct Authority), manage that are designed for Local Authorities and public sector funds. These LA investment funds were first established in the early 1960s. The three funds currently available are:

- a) The Public Sector Deposit Fund (for short term deposits).
- b) Diversified Income Fund (for medium term investments - seeks a balanced return of both income and capital growth).
- c) The Local Authorities Property Fund (for long term investments in a diversified portfolio of commercial properties - seeks a high level of income and long term capital appreciation).

I believe only the first (Share Class 4) would be of interest to us, because only this fund offers what we need, namely the ability to deposit excess funds but with instant access to those funds whenever needed.

Investment Policy

The fund is invested in a diversified portfolio of high quality sterling denominated deposits and instruments. The weighted average maturity of these investments is not to exceed 60 days. The fund will not invest in derivatives or other collective investment schemes. The objective is to maximise current income consistent with the preservation of capital and liquidity. Currently over 50% of the fund matures within one week.

Fund information

Launch date: May 2011

Fund size: £1,285m (at 09/01/24)

Minimum investment £25,000, but once invested balances can fall below this level.

Interest payment frequency monthly - paid in the form of a dividend

Total return performance (year to 31st December) is 4.71%.

The yield at December month end was 5.29%

Average yield over the month 5.27%

Ongoing Charges 0.08%

The fund is considered **low risk** - on their own (CCLA) measure it is classed as Category 1 out of 7 when 1 is low risk and 7 high risk.

However this fund is not a bank deposit and is not covered by the Financial Services Compensation Scheme deposit protection cover (which currently covers bank deposits up to £85,000)

It is an investment in a collective investment scheme and must be treated as an investment - and no investment is risk free.

Key Risk

The failure of a financial institution counter party e.g. if say the Yorkshire Building Society failed some 10% of the fund could possibly be lost.

As at the 31 December 2023 the top four counter parties were:

Name	Percentage of fund they represent
H M Treasury	9.78%
Nationwide Building Society	9.78%
Yorkshire Building Society.	9.78%
Landesbank Baden - Wuerttemberg	9.29%

The Fitch Credit Rating Agency awards this CCLA fund an AAAMmf (the highest rate awarded).

Indicating clearly the high quality investment grading of the fund.

To Summarise

Currently we invest our excess funds risk free in an HSBC no notice Deposit Account and earn interest of 2.6% pa.

We are now considering investing all or part of these funds in the CCLA Public Sector Deposit Fund. This investment affords a return - currently of 5.29% (so more than double what we currently earn) and our investment can be redeemed on a daily basis - so effectively instant access. **It is however not risk free as it is not a bank deposit and is not covered by the FSCS deposit protection scheme and any return is not guaranteed.**

Ruth Johnson

8th March 2024
