AGENDA 8, Enc iv) TREASURY MANAGEMENT: SUPPLEMENTARY NOTE – MATTERS RAISED AT THE FINANCE AND GENERAL SERVICES COMMITTEE

1. Executive summary

One question was raised when the FGS Committee considered the treasury management proposals, alongside a concern on risk. This note answers both; neither changes the recommendations.

On keeping all funds with Unity Trust: the Council's money is not protected by the FSCS, so the current arrangement is an unsecured exposure to a single bank — the same position that caused council losses in the Icelandic banking failures of 2008. The proposed fund was created after those events, at the LGA's invitation, precisely so councils could avoid that risk. The proposal reduces risk; it does not add it. NALC and the SLCC hold their own funds in it.

On whether CCLA invests ethically: CCLA has managed church and charity money since 1958 and is a NALC national partner. Banks are only approved as counterparties after assessment of their governance, sustainability and climate approach, are benchmarked on standards including modern slavery, and can be divested from if they fall short. The fund owns no shares in any bank — it holds deposits only.

2. Purpose

At the FGS Committee Meeting 11 members voted in favour of the motions below, with two against and one abstention:

- The proposed Investment Strategy and Treasury Management Policy 2026/27;
- That an account be opened with The Public Sector Deposit Fund (CCLA Investment Management Limited) in the name of Ashington Town Council, with an initial investment of £625,000
- Financial Regulation 6.9(iv) be amended
- The Executive Officer/RFO be authorised to complete the account opening documentation and to operate the arrangement in accordance with the adopted Strategy, reporting to each meeting of the Finance and General Services Committee; and
- The fixed-term deposits be considered by way of a further report to this Committee once the arrangement is established.

This followed the Committee considering the report on the investment of council funds in the CCLA Public Sector Deposit Fund (PSDF) and resolved to recommend the proposals to Full Council. Two matters were raised by members during discussion. This note provides the officer response to each, so that Full Council has the information before it when considering the Committee’s recommendation. The recommendations themselves are unchanged.

3. Retaining all funds with Unity Trust Bank

A member expressed a preference for retaining all of the Council’s funds in the existing Unity Trust Bank current account, reflecting caution arising from past banking and investment failures affecting local authorities.

That caution is well founded, and it is precisely the risk the proposals are designed to address. The following points are relevant:

- The Council currently holds 100% of its funds with a single banking institution. As set out in Section 2 of the main report, the Council is not eligible for FSCS deposit protection, as its budget of £1,007,621 is almost three times the ‘small local authority’ eligibility threshold of €500,000 (approximately £356,000). The current arrangement is therefore an unsecured exposure to one institution.
- The local authorities affected by the Icelandic banking failures in 2008 lost money because their cash was concentrated in deposits with individual banks – structurally the same arrangement the Council operates today. Those authorities had experienced no losses

before 2008. The Council has not been affected to date, but that does not mean the risk is not there..

- The PSDF was created in direct response to those events, at the invitation of the Local Government Association, specifically so that councils could avoid concentrating their funds with a single bank. It holds only the plain cash instruments councils themselves use (call accounts, term deposits, certificates of deposit), spread across a diversified list of well-rated counterparties, and carries the highest available money market fund rating (AAAmmf, Fitch Ratings).
- The proposal is therefore an exercise in risk reduction, not risk-taking: it replaces an unprotected single-institution concentration with a diversified, highly rated structure, while retaining same-day access to funds.
- Retaining the status quo would itself be a decision – a decision to retain a known and unmitigated concentration risk, contrary to the professional advice of the Responsible Financial Officer. Consistent with the approach taken in the Council's Reserves Policy, any decision to depart from the RFO's advice on a matter of financial risk should be formally recorded.
- CCLA is a national partner of NALC, and both NALC and the Society of Local Council Clerks hold their own funds in the PSDF, alongside the Local Government Association, six county associations and over 500 parish, town and community councils. The fund's Advisory Board includes representatives of the LGA and CIPFA, giving the local government sector a role in its oversight.

For the avoidance of doubt, no criticism of Unity Trust Bank is expressed or implied. Unity Trust remains the Council's bank; the proposals retain an operational float of approximately £120,000 in the current account, and all day-to-day banking continues unchanged.

4. CCLA's approach to ethical and responsible investment

A member asked whether CCLA invests ethically. Some of the relevant information was before the Committee within the papers considered:

- Section 3 of the main report set out that the fund invests only in plain, sterling denominated cash instruments with a diversified list of well-rated counterparties; that its assets are held by an independent depositary (HSBC Bank plc), fully segregated from CCLA's own assets; and that its investors include over 500 parish, town and community councils together with the LGA, NALC and the SLCC.

The following further information is provided in response to the question:

- The Key Investor Information Document, enclosed with this report, states that the fund is managed in line with CCLA's sustainability approach for cash funds, published on CCLA's website, and that the fund does not have a UK sustainable investment label because it does not have a specific sustainability goal.
- CCLA was founded in 1958 to manage funds for churches and charities, and remains one of the UK's longest-established responsible investors. CCLA is also a national partner of NALC.
- Under CCLA's published Sustainability Approach for Cash Funds, before a bank or building society is added to the fund's approved list of counterparties, CCLA assesses its corporate governance and its approach to sustainability and climate change.

- CCLA benchmarks counterparties against published standards, including on modern slavery and workplace mental health, and engages with those falling short. Where a counterparty does not show sufficient improvement, CCLA's escalation process includes a six-month divestment window.
- The fund holds no shares in banks or building societies. Its holdings are deposits and certificates of deposit only; the Council would not, through the fund, become an owner of any company.
- On the absence of a UK sustainable investment label: the FCA's labels are reserved for products with a specific sustainability goal, and the PSDF's objectives are security, liquidity and yield. This is a feature of the labelling rules for cash funds, not an indication that ethical considerations are absent from the fund's management.
- CCLA became part of the Jupiter Group in early 2026. Fitch Ratings has affirmed the fund's AAAmmf rating and stated that it does not expect the change of ownership to have a material impact on the fund.

CCLA's Sustainability Approach for Cash Funds and the PSDF Approach to Sustainability document are published at **www.ccla.co.uk** and can be circulated to any member on request.

5. Conclusion

Neither matter alters the assessment or the recommendations set out in the main report, which remain as recommended to Full Council by the Finance and General Services Committee.