

### STC to Invest in Local Authority Property Fund

The process for being able to invest in the CCLA Local Authority Property Fund has changed. The first stage of this process requires a suitability study report to be carried out by a treasury advisor independent of the CCLA. Arlingclose has been recommended by the CCLA, this study is at a cost of £795.

If the council agrees to go ahead then the attached questionnaire needs to be signed.

Following this suitability check, the members of the council need to be aware this is a long-term investment and if the council invested only for the short term, then the council is likely to make a loss.

I have had the following feedback from local councils in Cornwall that are already investing in the fund.

- 1) St Agnes Parish Council invested £100,000 a few years ago. In the last 12 months the returns have been £3,859.25. to put this into context, pre-pandemic estimates were a return of £4,000pa. So, the fact that it's there or thereabouts despite COVID is very encouraging.

The Property Fund is strong, despite the drop in demand for office space – this is because the portfolio is broad and there are increases in value in a range of other properties that the CCLA Fund owns.

- 2) Falmouth Town Council: Invest only up to the limit of any long term reserves you may hold – We invest £150,000, which during the pandemic dropped to a BID valuation of £146,792 as of 31<sup>st</sup> March 2020 (£3208 potential loss) this has now recovered but please ensure that your Councillors are aware that this is a long-term investment.

Returns are great – 2020/21 – net income of £6367.34 (4.24%)

Please find attached the return figures for the last five years.

### Finance Officer's Recommendation

- 1) To go ahead with the suitability study report at a cost of £795 with Arlingclose. Following this report to bring back the results of the report to the next P&F meeting for members to further consider available options.
- 2) For members to email any queries regarding the investment to the Finance Officer so they can be resolved before the next P&F meeting.

1	Arlingclose Reference	CP1220
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## CONSULTANCY ENGAGEMENT FORM

2	Lead Client:	Saltash Town Council
3	Date of Engagement	15/10/2021
4	Arlingclose Lead Consultant	Name Paul Roberts
		Title Assistant Client Director
		Email <a href="mailto:proberts@arlingclose.com">proberts@arlingclose.com</a>
5	Client Contact	Name Sonia Emmett
		Title Finance Officer
		Email <a href="mailto:sonia.emmett@saltash.gov.uk">sonia.emmett@saltash.gov.uk</a>

Scope of Consultancy	
6	<p>Work is to assess the suitability of a proposed investment in the CCLA Local Authorities Property Fund (LAPF) by the council</p> <p>Work to include</p> <ul style="list-style-type: none"> <li>- Provision of a questionnaire for completion by the client</li> <li>- Subsequent discussion if required</li> <li>- Arlingclose to assess the questionnaire and other information provided by the council</li> <li>- Arlingclose to provide a suitability report detailing whether the proposed investment in the CCLA LAPF is appropriate for the council</li> </ul> <p>The work will not assess whether a more suitable investment is available, nor will it form part of a general investment review</p>

7	State the organisations which will have access to the completed work.	Saltash Town Council
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Please note: Arlingclose reports are private and confidential and cannot be shared with unnamed parties

8	Deadline for draft	
9	Expected invoicing Date	Normally two weeks after draft
10	Is a P.O. number required?	Yes
11	If yes, please insert here	

12	Fees (excludes VAT):	<b><u>795 (+ VAT)</u></b>
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13	Client Signature	
14	Name and Title [Print]	
15	On behalf of:	

Arlingclose cannot begin work until this form is completed and returned to Arlingclose Lead Consultant via email

# CCLA LOCAL AUTHORITIES' PROPERTY FUND

## SUITABILITY QUESTIONNAIRE

Council Name

### 1. Introduction

Please read and complete this questionnaire carefully to ensure it reflects the Council's circumstances, objectives, and priorities. If the Council does not agree with any of the statements or any information is subsequently found to be incorrect or there has been a material change to your circumstances, please tell us immediately as it may affect our recommendation. Please note that comments in red text are for information only and should be deleted as appropriate and/or replaced with your own comments.

The answers to this questionnaire will be used solely to determine if an investment in the CCLA Local Authorities Property Fund (LAPF) is suitable for the Council. It will not be used to ascertain if a better investment is available or to conduct a broader investment review.

### 2. Financial Circumstances

We must first understand the Council's financial circumstances to ensure it can afford to make the proposed investment of £XXX,XXX in the LAPF without serious negative impact to the provision of services. For this we require the latest:

- Investment strategy
- Annual report/accounts (specifically information on income, expenditure, reserves etc)
- Budget
- Investment portfolio

These are used to understand the Council's i) regular financial commitments, ii) source and extent of any regular income, iii) assets (including liquid assets, investments, and property), iv) capacity to absorb losses

If there have been any recent material changes or forthcoming updates to any of the above documents which may affect our recommendation, please provide details below.

Comments
Please highlight changes such as amendments to limits on new investments, use of reserves etc....

### 3. Investment Objectives and Constraints

The Council's investment objectives and constraints will be used as the basis for our recommendation.

Objectives include the desired investment return and risk tolerance. The return objective may require targets for income and capital/total return while risk tolerance assesses willingness and ability to bear risk.



Constraints include liquidity factors (short and medium-term spending needs), investment time horizon and any other factors which need to be taken into consideration (e.g. ESG, use of derivatives).

The return objectives and investment constraints should be detailed in the tables below:

Return Objective	Important? (Rank 1-3*)	Target Return (% per annum)	Nominal or Real Return**?	Acceptable Tolerance (Optional)	Comments
Capital	2	X.X%	Nominal	-0.5%	
Income	1	X.X%	Nominal	-1.0%	
Total	3	X.X%	Nominal	-1.5%	

\* 1 = most important, 3 = least important; \*\* Nominal means return before inflation, real return includes inflation

Constraint	Details
Liquidity	At least XX% of the investment portfolio must be held in liquid funds (immediate access)
Time horizon	The Council has a time horizon of 5+ years for the investment in the LAPF, however fund performance will be reviewed on a three-yearly basis
Other factors	

#### 4. Willingness and Ability to Take Risk

Understanding the Council's attitude to risk and capacity for loss is a key part of the process. Its willingness to bear risk, ability to do so, and capacity for loss must also be considered.

##### Willingness to take risk

All investment involves a degree of risk due to financial market uncertainty but also inflation and/or other economic risks including not achieving target returns. Investment returns are usually proportional to the level of risk (volatility) taken and to short, medium, or long-term losses.

In the table below please specify what risk of investment loss the Council deems acceptable:

Risk	Not for any period	Up to 1 year	1-3 years	3-5 years	5-10 years	10+ years
No capital loss is acceptable						
5% fall in capital value						
10% fall in capital value						
10%+ fall in capital value						

Between 1990 and 2020 the annual capital return of the LAPF has been positive (above 0%) for 18 years and negative for 13 years, with the largest single annual gain of 15% and largest annual fall of over -30%. The Council must therefore understand and accept that such fluctuations can occur and even if investing for the

long-term, it may receive less capital back than was originally invested. Moreover, the high costs associated with investing in property means the LAPF has a total bid/offer spread of 8.30%, which immediately reduces the capital value from the amount invested. It is assumed that the acceptable capital loss stated above is outside of the impact of this spread.

While the Council has deemed an acceptable level of loss above, it understands that financial market conditions may cause investment losses exceeding those specified above and that the bid/offer spread on the LAPF will immediately reduce the capital value compared to the amount invested. Please acknowledge acceptance of this in the box below together with any additional comments.

Comments
Yes/No

#### Ability to take risk and capacity for loss

Given the cyclical and illiquid nature of property, Arlingclose suggests an investment in the LAPF should be made with the intention of holding it for at least five years. If the Council has a timescale for redeeming some or all of the proposed investment, please detail it below:

Period	£/% To be Realised	Comments
Less than 1 year		
1-2 years		
2-3 years		
3-5 years		
5-10 years		
10+ years		

The Council's capacity for loss indicates how much it could afford to lose if the LAPF does not perform as anticipated without it seriously affecting its investment objectives and provision of services.

For the reserves held (please tailor the 'type of reserves' listed to those held by the Council), please state in the table below the type, amount, and proportion of reserves available to cover investment losses. The reserves position is shown as at **XXth XXXX 2021** (please insert appropriate date):

Type of Reserves	Balance of Reserves (£)	% Available to Cover Investment Losses	Amount Available to Cover Losses (£)
Dedicated Treasury Management Reserves	10,000	100%	10,000
General Reserves	50,000	25%	12,500



Earmarked Reserves	5,000		
Other Reserves (please state)	0	0%	0
<b>Total</b>	<b>65,000</b>	<b>N/A</b>	<b>22,500</b>

## 5. CCLA LAPF Investor Documentation

Prior to investing in the LAPF, the Council should read and understand the documentation published by CCLA on the fund, including (but not limited to):

- Fact sheet
- Fund profile
- Key Information Document (KID)
- Scheme information

After reviewing of these documents if there are any issues requiring further discussion or clarification, please detail this below:

Comments

## 6. Asset Allocation

Stable long-term investment returns are typically obtained from a diversified portfolio not overly focused on any one investment or asset class. It is assumed the Council's investment in the LAPF will be in accordance with these principles but accepts that an assessment of this is outside the scope of this report.

## 7. Approved on behalf of the Council

Please ensure a person with the relevant authorisation approves below on behalf of the Council.

Name	Signature	Position	Date

## The Local Authorities' Property Fund Prices and Dividend Yields



End of	May-17	Apr-17	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16
Offer Price p	308.64	307.19	307.78	306.76	305.85	305.24	302.55	301.32	301.38	302.71	302.74	302.80
Net Asset Value p	289.13	287.77	288.32	287.36	286.51	285.94	283.42	282.27	282.32	283.57	283.60	283.65
Bid Price p	284.64	283.31	283.85	282.91	282.07	281.51	279.02	277.89	277.95	279.17	279.20	279.25
Dividend* on XD Date p			3.23			3.22			3.29			3.45
Dividend* - Last 12 Months p	13.19	13.19	13.19	13.63	13.63	13.63	13.79	13.79	13.79	14.16	14.16	14.16
Dividend Yield on NAV %	4.56	4.58	4.57	4.74	4.76	4.77	4.86	4.88	4.88	5.00	4.99	4.99
Fund Size £m	747.8	710.2	707.8	687.8	674.3	663.6	648.7	637.2	622.9	617.2	617.3	617.5

\* The dividend is paid gross and is after all charges

Source: CCLA

### Risk Warning

Please remember that the value of units and the income from them can fall as well as rise and an investor may not get back the full amount invested. Past performance is no guarantee of future returns. The Property Fund's unit value will reflect fluctuations in property values and rents. The units are intended only for long-term investment and are not suitable for money liable to be spent in the near future. They are realisable only on each month end valuation date and a period of notice may be imposed for the redemption of units.

### CCLA FUND MANAGERS LIMITED

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CCLA is Authorised & Regulated by the Financial Conduct Authority.

**The Local Authorities' Property Fund**  
**Prices and Dividend Yields**



End of	May-18	Apr-18	Mar-18	Feb-18	Jan-18	Dec-17	Nov-17	Oct-17	Sep-17	Aug-17	Jul-17	Jun-17
Offer Price p	323.55	322.45	322.40	320.69	319.65	319.44	315.83	315.20	314.48	312.74	310.87	310.22
Net Asset Value p	303.09	302.06	302.01	300.41	299.44	299.24	295.86	295.27	294.60	292.96	291.21	290.60
Bid Price p	298.39	297.38	297.33	295.75	294.80	294.60	291.27	290.69	290.03	288.42	286.70	286.10
Dividend* on XD Date p			3.21			3.38			3.77			3.34
Dividend* - Last 12 Months p	13.70	13.70	13.70	13.71	13.71	13.71	13.56	13.56	13.56	13.07	13.07	13.07
Dividend Yield on NAV %	4.52	4.54	4.54	4.56	4.58	4.58	4.58	4.59	4.60	4.46	4.49	4.50
Fund Size £m	1017.3	978.9	976.3	947.7	933.4	930.8	883.6	863.0	836.2	813.6	776.9	764.7

\* The Dividend is paid gross and is after all charges

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End of	May-19	Apr-19	Mar-19	Feb-19	Jan-19	Dec-18	Nov-18	Oct-18	Sep-18	Aug-18	Jul-18	Jun-18
Offer Price p	328.16	327.19	327.40	328.01	328.84	329.35	326.46	324.15	324.17	324.40	324.00	324.10
Net Asset Value p	307.41	306.50	306.70	307.27	308.04	308.53	305.82	303.65	303.67	303.89	303.51	303.61
Bid Price p	302.64	301.75	301.95	302.51	303.27	303.75	301.08	298.95	298.97	299.18	298.81	298.90
Dividend* on XD Date p			3.31			3.32			3.17			3.28
Dividend* - Last 12 Months p	13.08	13.08	13.08	12.98	12.98	12.98	13.04	13.04	13.04	13.64	13.64	13.64
Dividend Yield on NAV %	4.25	4.27	4.26	4.22	4.21	4.21	4.26	4.29	4.29	4.49	4.49	4.49
Fund Size £m	1174.9	1150.9	1127.1	1105.9	1102.2	1099.0	1066.0	1054.9	1047.8	1046.5	1033.0	1027.7

\* The Dividend is paid gross and is after all charges

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End of	May-20	Apr-20	Mar-20	Feb-20	Jan-20	Dec-19	Nov-19	Oct-19	Sep-19	Aug-19	Jul-19	Jun-19
Offer Price p	305.90	310.33	315.70	321.47	321.90	322.70	322.32	323.45	324.35	324.90	326.10	327.66
Net Asset Value p	286.55	290.71	295.74	301.14	301.55	302.30	301.94	303.00	303.84	304.36	305.48	306.94
Bid Price p	282.11	286.20	291.15	296.47	296.87	297.61	297.26	298.30	299.13	299.64	300.75	302.19
Dividend* on XD Date p			3.25			3.21			3.45			3.15
Dividend* - Last 12 Months p	13.06	13.06	13.06	13.12	13.12	13.12	13.22	13.22	13.22	12.94	12.94	12.94
Dividend Yield on NAV %	4.56	4.49	4.42	4.36	4.35	4.34	4.38	4.36	4.35	4.25	4.24	4.22
Fund Size £m	1168.6	1185.5	1206.0	1205.9	1206.8	1200.1	1191.1	1177.3	1173.1	1174.2	1174.9	1178.2

\* The Dividend is paid gross and is after all charges

Source: CCLA

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**Prices and Dividend Yields**



End of	Apr-21	Mar-21	Feb-21	Jan-21	Dec-20	Nov-20	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	May-20
Offer Price p	314.43	313.45	311.36	307.64	306.91	303.10	302.33	302.56	301.67	302.10	303.14	305.90
Net Asset Value p	294.55	293.63	291.67	288.19	287.50	283.94	283.22	283.43	282.60	283.00	283.97	286.55
Bid Price p	289.98	289.08	287.15	283.72	283.05	279.54	278.83	279.04	278.22	278.61	279.57	282.11
Dividend on XD Date p		2.98			3.74			3.10			2.80	
Dividend - Last 12 Months p	12.63	12.63	12.90	12.90	12.90	12.37	12.37	12.37	12.72	12.72	12.72	13.06
Dividend Yield on NAV %	4.29	4.30	4.42	4.48	4.49	4.36	4.37	4.37	4.50	4.49	4.48	4.56
Fund Size £m	1211.6	1202.9	1194.9	1175.8	1172.6	1158.0	1155.0	1155.8	1152.4	1154.1	1158.0	1168.6

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Source: CCLA

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