## F9.19/20 Review Investment Strategy – Finance Committee 21 October 2019

The Department for Communities and Local Government recommends that local authorities develop an annual investment strategy to guide the prudent investment of public funds; which must be approved by the Full Council. This strategy should have the following objectives; achieving firstly **security** of the capital sum, then **liquidity** and finally **yield**.

**Background:** Guidance was put to Full Council in October 2017 but was passed back to the Finance Committee for recommendations. In the interim, the Council agreed to invest its General Reserve of £75,000 in the CCLA Deposit Fund in April 2018 and subsequently added its CIL Neighbourhood Fund in August 2018, bringing the total investment to £120,878.69. There are no charges on the investment and it presently generates approximately £70 per month in interest, which is paid into the Cooperative Working Account. The investment is not covered by the FSCS Guarantee Scheme but is heavily regulated and is restricted to Churches, Charities and Local Authorities. Access is ‘instant’ but in effect takes a few days to arrange. There is no upper limit to investment.

**Committee Action:** To review the **CCLA Deposit Fund** as an ongoing investment vehicle for the same or additional funds;

To review the **General Reserve** level (currently £75,000)

In 2017 the Council opened an Instant Access Account with Unity Trust Bank and transferred £84,000 (keeping it below the £85,000 FSCS guarantee limit). A separate Current Account was opened with a deposit of £500 in order to enable the Instant Access Account to be operated online. Since then, bank charges on the Current Account (£18 per quarter) have reduced the balance to £374 whilst interest on the Instant Access Account has increased the balance to £84,296.50.

Due to the infrequency of movements into or out of these accounts it was suggested that the Current Account be closed and the balance transferred to the interest bearing Instant Access Account. This would save the regular bank charges of £72 per annum but the only way to withdraw funds from the Instant Access Account would then be by CHAPS transfer, which carries a charge of £28 per transaction.

**Committee Action:** To decide whether or not to close the Current Account

**Additional Accounts:** In January 2019 the Council considered opening a Business Reserve Account with NatWest. This was referred back to the Finance Committee for consideration. Account management can be effected by online or telephone banking. Interest rates are currently 0.20% gross per annum. The account offers instant access to funds with no penalties.

If the Council is willing to give notice of withdrawal the Council may be able to attract a higher rate of interest. A summary of options with current interest rates will be tabled at the meeting for consideration.

**Committee Action:** To consider opening a NatWest Business Reserve Account or alternative suitable account and transferring in the balance of the Cooperative Bank - Earmarked Account (£84,911.45).

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| **Account Name** | **Minimum / Maximum Deposit** | **Account management** | **Notice Period** | **Current Interest Rate (Gross) based on £85,000** |
| NatWest - 35 Day Notice Account | No minimum / not stated |  | 35 days | 0.55% |
| NatWest - 95 Day Notice | No minimum |  | 95 days | 0.65% |
| Santander Business Everyday Saver | £1 – no maximum | Telephone / Online / cash card | Instant Access | 0.35% |
| Santander Business Reward Saver | £1 – no maximum | Telephone / Online | Instant Access – bonus for each month no withdrawal is made | 0.1% if withdrawal made in month  0.4% if no withdrawal made in statement month |
| RBS | No minimum / not stated |  |  | 0.2% |
| Nationwide | £5,000 - £10 Million |  |  | 0.65 – 1.6% |
| Clydesdale Bank | No minimum / not stated |  |  | 0.2 – 1.46% |
| Yorkshire Bank | No minimum / not stated |  |  | 0.2 – 1.46% |
| Charity Bank | £1,000 - £666,667 |  |  | 0.65% - 1.5% |
| Metro Bank | No minimum / not stated |  |  | 0.3 - 1.5% |
| Aldermore | £1,000 / £1 Million |  |  | 1 – 2.25% |