

Agenda Item 10 - Banking and Investment of Fund

The Council currently has the following Bank Accounts:

Lloyds:

Treasurers Account for day-to-day banking

Business Instant Saver for short term savings and contingency fund. Currently pays 1.3% interest.

Nationwide:

45-day saver. Currently pays 3.35% interest.

The attached spreadsheet shows bank balances at the end of March and forecast receipts (excluding income allowed for in the Precept as this forms part of the overall Precept amount), and forecast spend on projects for the first 6 months of the year.

The VAT reclaim for the financial year 2023-24 is £20,920.36 if fully paid and this is usually credited in May.

The FSCS compensation scheme pays out up to £85,000 per financial institution in the event of bank failure. It is to be noted that this is per financial group so those banks that fall under one Group are banded together, so for example Halifax and Lloyds are considered as one for compensation purposes. The Council is not required to transfer funds in excess of the compensation amount to another provider and failure of high street banks and institutions is rare in the UK.

The Council's Investment Strategy sets out that the Parish Council will only invest, short term (under 12 months), in specified investments with bodies who have a high credit rating, which are banks, building societies, local authorities and other public authorities or in other approved public sector investment funds. Full Council must make the decision on investments.

Bank Savings Accounts:

The Council may wish to consider the appropriateness of investing the VAT reclaim funds plus other funds not required in the short term, into another bank savings account or to open a higher rate savings account with Lloyds Bank:

- Unity Trust Bank offers bespoke services for Parish Councils. Their fixed term deposit accounts are for balances of £85,000 or more (which will not mitigate the compensation issue) for fixed terms under a year, and their interest rate is less than the 3.35% Nationwide currently pay on our 45-day saver account, so these accounts are not appropriate. They do however offer an instant access account at 2.77%, which could be an option as another savings account.
- Nat West offers a 35-day notice savings account at 3.25%.
- Lloyds offers savings accounts with better rates than the instant savings account we currently hold, which is good option, given that there are substantial funds to be paid out of the existing balances, which is likely reduce the overall balance to an acceptable level in relation to the compensation scheme, over the coming months. The possible accounts would be a 32-day notice account offering 2.63% or the 6-month fixed at a rate of 3.53%. This would be in addition to the instant access savings account where the Council would keep a contingency fund and sufficient funds to cover upcoming expenses.

There are other higher interest earning accounts and investments, but these are mostly for longer fixed terms and/or with smaller, less mainstream banks or organisations, some of which are not covered by the compensation scheme.

It is recommended given the known and likely levels of income and expenditure in the coming months that the sum of £48,000 is placed on a Lloyds 32-day notice account once the VAT reclaim and first half years Precept are received. The funds can be accessed within an acceptable timescale if required and can only be transferred to the Council's nominated account, which would be the Treasurers Account. A sufficient working balance will be maintained and there are sufficient funds that can be accessed instantly if required. It is further recommended that the funds held in the Nationwide remain as is.

Debbie Bird, Clerk to Willand Parish Council
April 2024