

Fiskerton cum Morton Parish Council

Treasury Management

18th September 2023

1. Introduction

Treasury management is the process of managing an organisation's financial resources to achieve its strategic and operational objectives. It encompasses a wide range of activities including cash management, funding, and investment management. This report focuses on the arrangements currently in place for banking and investments and makes recommendations for the council to consider. It will be broad in scope and will lack too much detail so it can be a public document.

In all matters, the priorities for treasury management & investments should be security, liquidity, and return, in that order, to protect public money.

The purpose of this report is to review the banking and investing arrangements to make them fit for purpose and modern use and to have an investment product that is used solely for investing S106 funds.

2. Analysis of banking and investing

As at 17/7/2023, the summary funds held by the Parish Council amounted to £76,301.73, held as follows.

Type of account		% of total funds
Building Society Investment	£27,001.51	35.39%
Deposit (savings)	£36,249.31	47.51%
Current	£13,050.91	17.10%
Total	£76,301.73	100%

The distribution of funds between the accounts is not the most beneficial. In particular, the council may want to ensure that the S106 fund, which should be a long-term deposit, is easy to identify and manage and earns a reasonable interest rate accessible to local authorities.

There is also a very large deposit account balance, some of which will currently be covering the S106 fund resources. As at 31/3/2023 S106 resources were £49,789.31.

The current account and the deposit account together should hold a minimum balance equal to 12 months precept. Any surplus balances should be invested.

3. Banking

The Parish Council has 2 bank accounts: a current account and a deposit account both with a high street bank.

At the time of writing, the current account pays no interest, whilst the deposit account pays between 1.92% and 1.94% gross (variable).

The conditions for operating all these accounts mean making changes e.g. to authorised signatories, is particularly difficult. They are not fully on-line accessible,

and it is felt that there are more suitable products available that are specifically geared towards the day to day and ongoing requirements of a local authority. It is recommended that the Parish Council resolve to move its day-to-day and deposit accounts away from the high street bank and to Unity Trust.

Unity Trust is a well-respected and fully authorised bank, popular with local authorities and especially Parish Councils. It is an ethical bank that helps organisations to prosper and contribute to positive economic, social and environmental change. It is regulated by the Prudential Regulation Authority and covered by the Financial Services Compensation Scheme.

Unity Trust accounts are fully managed on-line, and whilst there is a monthly fee of £6 for the current account this is felt to be outweighed by the operational benefits. The Unity Trust current account does not pay interest; the deposit account pays 2.75% (variable).

The Parish Council is recommended to approve the transfer of its 2 high street bank accounts to new accounts with Unity Trust; a Business Current Account and an Instant Access Business Savings Account.

4. Investing

The Parish Council currently holds one investment account with a building society. This has been in place for many years and is not the most effective to manage. It is a one-year investment that pays interest annually on the anniversary of the account in November. The investment account pays 3.35%. Advice has been given from the building society that the Parish Council would not be eligible for its online accessible bonds as they are no longer available to clubs and charity account holders.

Many local authorities use a different type of investment vehicle that has more flexibility, such as one of the CCLA products. CCLA was started in 1958 under Royal Assent to establish investment funds for parishes, diocese, and cathedrals. Local authorities were added in 1961. Its ambition is to deliver trusted, responsibly managed, strongly performing products and services aligned to its customers values and purposes. CCLA is a fully regulated and compliant company that issues classes of shares that can be traded daily. This would give the Parish Council a more fit for purpose investment vehicle that can be managed on-line and on a daily basis, although it is not anticipated that such frequent trading would be required.

However, the flexibility would bring considerable benefits to effective treasury management. Its Public Sector Deposit Fund could be the best product. It is an actively managed, low-risk fund primarily targeted at public sector investors. Income from the fund's investments is paid out on a monthly basis as dividends.

The current yield is 5.1102% (variable). The fund size is £1.1bn+.

CCLA (Churches, Charities & Local Authorities) is a mutually owned firm of investment managers, owned by LAMIT (Local Authorities Mutual Investment Trust), the Church of England (Central Board of Finance) Investment Fund and the Charities (COIF) Investment Fund. It has 35,000+ clients and manages £14bn+ of cash and investments. The Fund was established at the invitation of the Local Government Association as a result of the Icelandic banking crisis. It was launched in May 2011.

The PSDF is a “Qualifying Money Market Fund” (QMMF) which is classed as a “low volatility net asset value” (LVNAV) short term money market fund. The fund is managed with the priorities of security, liquidity, and yield.

The fund is not covered by the FSCS, but it has a AAmmf credit rating by Fitch (highest possible rating), and it is a UK regulated fund. The minimum deposit is £25,000.

The Parish Council is recommended to approve the application to CCLA to open a Public Sector Deposit fund account to hold S106 funds.

5. Process and timelines

Should the Parish Council approve the recommendations in this report, a process and timeline to implement the necessary actions could be as follows (assuming the Current Account Switch Service is used):

What	When
1. Move existing deposit account balance to current account and close deposit account. Step 1	By the end of September
2. Open new unity Trust current account through Current Account Switch Service.	After deposit account is closed. Takes 7 working days.
3. Open new Unity Instant access savings account with current account balance less £25k (set aside as initial CCLA opening deposit) and £10k (as working current account balance)	Once new Unity Account is up and running. Suggested date – mid October
4. Open new CCLA account with £25k from Current account balance. Determine monthly income to be reinvested. Step 2	Once new Unity current Account is up and running. Suggested date – late October
5. Close investment account on maturity in November and pay into new current account (may require notification for change of receiving bank account)	November
6. Transfer further £25k from new current account to CCLA. Step 3	On receipt of investment account proceeds
7. Carry out monthly reconciliation between current account and instant access savings account to manage level of current account at around £10k	Monthly
8. Carry out year-end reconciliation on S106 income and expenditure and transfer funds to/from S106 account & current account;	Annually before 31 March

If the Switch Service is not used, it may be that the Parish Council operates 2 current accounts for a short period of time, ideally no longer than 1 month, to ensure that any standing orders or direct debits are covered at all times.

6. Recommendations

- a. It is recommended that the Clerk be authorised to transfer the council's current and savings/deposit accounts to Unity Trust by mid-October as a step 1**
- b. It is recommended that the Clerk be authorised to open a CCLA Public Sector Deposit Fund account as an investment vehicle for S106 funds, initially with a deposit of £25,000 as a step 2 by the end of October.**
- c. It is recommended that the Clerk be authorised to place a further £25,000 with CCLA Public Sector Deposit Fund in November 2023 on the maturity of the building society investment account as a step 3.**
- d. It is recommended that the Parish Clerk carry out monthly reconciliation between current account and instant access savings account to manage the level of the current account at around £10k (exception may apply in some circumstances)**
- e. It is recommended that the Parish Clerk carry out year-end reconciliation on S106 income and expenditure and be authorised to transfer funds to/from S106 account & the current account prior to the financial year end.**