

CONGLETON TOWN COUNCIL

COMMITTEE REPORTS AND UPDATES

COMMITTEE:	Council/Finance and Policy		
MEETING DATE AND TIME	29 th September 2022 7.00pm	LOCATION	Congleton Town Hall
REPORT FROM	Serena Van Schepdael – Responsible Financial Officer (RFO)		
AGENDA ITEM REPORT TITLE	11 Investment Strategy and Investment Policy 2022/23		
Background	Congleton Town Council is required by the Local Government Act 2003 to prepare an Investment Policy and Strategy taking into account the Community Investments Guidance notes 1 st April 2010. These policies are contained within the Council's Constitution. The previous Investment Policy and Investment Strategy were approved on 10 th February 2022, it is best practice to review annually.		
Updates	<p>Taking into account that the majority of the Council's funds being held with one bank account, Royal Bank of Scotland (RBS), and the current increase in interest rates in investment policies/accounts, it would be an ideal time for the Council to look at increasing investments. This to take advantage of the current interest rates, and to look at financial security in having sums distributed across a bigger number of accounts, rather than hold the majority of funds in one area, this would ensure funds would be available in the event of a bank closing/ceasing trading.</p> <p>The Council's current Investments are:</p> <p>£ 150,000 of Ear Marked Reserves are invested with CCLA, which is instant money market access account, current interest rates are 1.61% as of 29th August 2022.</p> <p>£ 150,000 of General Reserves are invested in Cambridge & Counties at a renewed interest rate of 1.2%, this account is renewed every November, the next renewal deadline is 8th November 2022. (According to the latest information a 1-year deposit is showing interest rates of 2.4%).</p> <p>The remaining balances are kept with Royal Bank of Scotland business accounts.</p> <p>The potential achievable interest based on the calculations over a 12-month period are approximately £13,000, current approximate interest over a 12 month period is £6,500.</p>		
Information	<p>In reference to Appendix 11.1, which demonstrates the potential interest earnings which may be achieved should we update our investments:</p> <p>Keep a maximum of £400,000 in the main RBS current accounts. (£400,000 being 3 months budget expenditure)</p>		

	<p>Increase the Cambridge & Counties 1 year deposit from £150,000 to £250,000. (Closer to our General Reserve requirements as at 1st April 2022) This will be reviewed annually on renewal.</p> <p>Use the CCLA instant access money market account as a sweeper account, depositing funds in the RBS current accounts over £400,000 to this account as and when required, and moving from CCLA when the RBS account falls below £400,000.</p> <p>It is important to note that as the interest income will form part of budget setting, should this income not be achieved it would in turn would reduce General Reserves.</p>
Decision Requested	<p>To approve:</p> <ol style="list-style-type: none"> 1. To keep the balance of RBS Current and Reserve accounts to a maximum of £400,000. 2. To increase in Cambridge and Counties 1 year account to £250,000 on 8th November 2022. 3. To use the CCLA instant access money account as a sweeper account from 30th September 2022. 4. Should 1, 2 and 3 be approved, approve the updated Investment Strategy (Appendix 11.2).

Appendix 11.1

CONGLETON TOWN COUNCIL
INVESTMENT POLICY AND STRATEGY REPORT
APPENDIX 15.1

POTENTIAL EARNINGS FOR CONGLETON TOWN COUNCIL

{ ----- CURRENT INVESTMENT POLICY ----- }					{ ----- PROPOSED INVESTMENT POLICY ----- }			
MONTH	BALANCE £	BALANCE £	ACTUAL/EST £	ESTIMATED £	BALANCE £	BALANCE £	ESTIMATED £	
	2.40% C&C	1.50% CCLA	0.10% RBS	Balance	2.40% C&C	1.50% CCLA	0.10% RBS	Balance
Nov-22	150,000	150,000	868,562	Est 1,168,562	250,000	518,562	400,000	1,168,562
Dec-22	150,000	150,000	778,562	Est 1,078,562	250,000	428,562	400,000	1,078,562
Jan-23	150,000	150,000	688,562	Est 988,562	250,000	338,562	400,000	988,562
Feb-23	150,000	150,000	598,562	Est 898,562	250,000	248,562	400,000	898,562
Mar-23	150,000	150,000	508,562	Est 808,562	250,000	158,562	400,000	808,562
Apr-23	150,000	150,000	916,562	Est 1,216,562	250,000	566,562	400,000	1,216,562
May-23	150,000	150,000	826,562	Est 1,126,562	250,000	476,562	400,000	1,126,562
Jun-23	150,000	150,000	736,562	Est 1,036,562	250,000	386,562	400,000	1,036,562
Jul-23	150,000	150,000	646,562	Est 946,562	250,000	296,562	400,000	946,562
Aug-23	150,000	150,000	826,562	Est 1,126,562	250,000	476,562	400,000	1,126,562
Sep-23	150,000	150,000	1,234,562	Est 1,534,562	250,000	884,562	400,000	1,534,562
Oct-23	150,000	150,000	1,144,562	Est 1,444,562	250,000	794,562	400,000	1,444,562
Average Balance	150,000	150,000	814,562	1,114,562	250,000	464,562	400,000	1,114,562
Annual Interest	3,600	2,250	815	6,665	6,000	6,968	400	13,368
POTENTIAL ADDITIONAL INCOME FROM NEW INVESTMENT STRATEGY								6,703

With Bank Base Rate currently since 04/08/22 at 1.75%, Cambridge & Counties Bank one year fixed rate since 25.08.22 2.40%
(We are earning 1.20% w,e,f, Nov 21 with Cambridge Building Society)
From 04/08/2022, to 10/08/22 interest rate with CCLA instant access is between 1.4748% and 1.5384% - Used 1.50%
Current rate with R.B.S. is 0.1% as at 10/08/22

Appendix 11.2

Formatted: Font: 16 pt

Congleton Town Council

Investment Strategy

To keep the balance in RBS Current & reserve accounts to a maximum of £400,000. Balance over this will be transferred on a monthly basis to the CCLA Instant Access Money Market Account. Should the balance go below £400,000 funds will be transferred from CCLA to RBS. Transfers will be delegated to the RFO, or in the absence by the Chief Officer or Deputy Chief Officer and signed in accordance with our Financial Regulations for Bank Payments.

Congleton Town Council has £150,000 with Cambridge and Counties Bank¹ on a 1 year deposit. Until 8th November 2022 the interest rate for the 1 Year investment is 1.2%. On renewal on 8th November 2022 this will increase to £250,000.

Formatted: Superscript

£150,000 of its Ear Marked Reserves is with CCLA Public Sector Deposit fund. This is an instant access money market account with fluctuating interest rates every day, currently around 0.168%. Although the capital is not at risk of reducing in value, it is possible at a time of very low interest rates, for the interest rate of a CCLA Public Sector Deposit Fund to be negative. As from 30th September 2022 this account will be used as a sweeper account for the balance of funds over £400,000 in the RBS Current and Reserve accounts.

Formatted: Superscript

The balance of the council's money is with the Royal Bank of Scotland split between a current account and a business reserve account which currently pays 0.01%.

Suggested Strategy:

1. To limit the balance of RBS Current and Reserve account to a maximum of £400,000

¹ Cambridge & Counties Bank is an authorised UK bank which focuses on providing financial products to small and medium sized enterprises (SMEs). We fund our loans using customer deposits. As we do not borrow money from the wholesale markets we do not require a credit rating.

We are owned in equal shares by Trinity Hall, Cambridge, and Cambridgeshire Local Government Pension Fund and regulated by both the Financial Conduct Authority and the Prudential Regulatory Authority. We are a member of the Financial Services Compensation Scheme (FSCS) which protects the deposits of small to medium sized businesses which meet the FSCS criteria; full details of which can be found at www.fscs.org.uk.

Both the management of the Bank and the owners have a conservative approach to risk management and the bank holds levels of capital and liquidity in excess of all regulatory requirements. We see our primary banking responsibility to be to protect our depositors.

2. To increase in Cambridge and Counties 1 year account to £250,000 on 8th November 2022

3. To use the CCLA instant access money account as a sweeper account from 8th November 2022

Formatted: English (United Kingdom)

~~1. To keep the General Reserve with Cambridge and Counties Bank — currently £150,000 @ 1.2% maturing in November 2022 expected annual interest is £1800. On maturity in November 2022, for proper consideration to the re-investment decision in accordance with the Council's Investment Policy.~~

~~2. To keep £150,000 with CCLA, the volatility of the daily rates of interest earned are demonstrated by the interest rate on 19th January 2022 being about five times the interest rate during the month of November 2021. So, currently on an annualised basis, we are earning about £ 250 per annum whereas in November 2021 on an annualised basis we were only earning between £ 50 to £ 60 per annum.~~

~~3.1. To retain RBS for the current account and the remaining balance in the RBS Business Reserve account.~~