

FRAMLINGHAM TOWN COUNCIL



INVESTMENT OPTIONS FOR 2023

RECOMMENDATION

The Council is requested to approve the following investment decisions:

1. To transfer the monies held in the Nationwide Building Society instant access account to a Nationwide BS12-month fixed rate account
2. To transfer £85,000 to Unity Trust Bank instant access account
3. To transfer £200,000 to a 6-month HSBC Money Market account

Overview

The Finance Committee has requested a review and recommendations of options for the investment of surplus funds.

The annual investment strategy 2022/23 states that Framlingham Town Council should prudently invest temporarily any surplus funds held in its accounts. The choice of institution and term of deposit will be subject to approval of the Full Council.

Currently the council's surplus funds are invested as follows (as at 13th March 2023):

		Interest rate
• Nationwide BS – business instant saver	£70,464	1.30%
• HSBC Money Manager	£377,029	1.04%

The HSBC Money Manager account provides a flexible option as funds can be transferred to the current account instantly without additional charges. However, the FSCS protection only covers the first £85,000.

Nationwide BS have offered a number of different options and the account can be switched via a request form, however the total amount invested with Nationwide BS should not exceed £85,000.

Currently the council has £315,000 of CIL funds remaining of which £167,000 must be spent by October 2024.

Review of market options (all rates are subject to change)

	Interest rate
a. HSBC Money Market account	3.44-4.13% ¹
b. Nationwide Building Society notice accounts	2.45-2.65% ¹
c. Nationwide Building Society fixed rated	2.75-3.00% ¹
d. Unity Trust Bank – instant savings	2.15%
e. Cambridge Building Society – council saver	1.25%

¹Interest rates vary depending on length money is held - see appendices A & B

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Points to note

Any interest rates quoted are subject to change given current market volatility, however it is unlikely that the rates will change significantly between the decision and the investment.

The Council has recently used the Money Market account facility. Any investment in HSBC would not benefit from FSCS protection as the council already exceeds the £85,000 limit.

Unity Trust Bank and CBS would provide up to £85,000 of FSCS protection. A number of local Councils in East Suffolk have savings accounts with Unity Trust.

Alternative institutions

Other options considered: Aldermore Bank and CAF bank. They did not offer facilities for councils.

Alignment with Annual Investment Strategy 2022/23

The policy objective is to invest securely and ensure sufficient liquidity to meet future obligations.

To meet this objective the policy allows investment in specified investments only, being investments up to 12 months in duration with high security and high liquidity.

For security, any financial institution should be either high "A" credit rated or protected by FSCS.

For liquidity, the council should retain at least 3 months' average working capital in current deposit accounts.

The recommendations in this paper meet the policy as follows:

- The amount held in working capital should be at least £100,000
- All recommendations are no longer than 12 months in duration
- All recommendations benefit from FSCS protection up to £85,000, apart from HSBC where HSBC bank plc is rated AA- to A+ stable, by the three credit rating agencies.

CASHFLOW FORECASTS

The Council has three main sources and uses of funds:

- Precept – this money is received in April and October each year and is spent

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in the period and so must be retained in either the current account or the instant access savings account.

- Reserves – this is around £130,000 at the moment and is mainly held as Ear-Marked reserves. In recent years the reserves have been held at a similar level but there is an expectation that some of the reserves maybe spent in 23/24.
- CIL funds – there is around £315,000 of CIL funds and at least £167,000 must be spent by October 2024. However, a review at Finance Committee did not identify any significant expenditure in the next 6 months.

If the recommendations are approved then the cashflow status of the funds will be as follows (based on current balances)

Fixed:	Nationwide	£70,000
	HSBC Money Market	£200,000
Instant access:	Unity Trust	£85,000
	HSBC Money Manager	£92,000

In addition, the Council holds £36,000 in the HSBC current account and this will be boosted by £90,000 of precept funds at the end of April. The bulk of the precept will be transferred immediately to the Money Manager account and drawn down as required for monthly payments.

RECOMMENDATIONS

It is recommended that the Council switch the Nationwide BS instant saver to a 1-year fixed rate account (maximum length under current investment policy). This will provide a better a rate of return from the same institution.

It is recommended that the Council invest up to £85,000 in a Unity Trust Bank instant savings account to provide additional FSCS protection. This will provide an additional £85,000 of FCSC protection.

It is recommended that the Council invest #200,000 for 6 months in a=n HSBC Money Market fixed rate account. See Appendix D for rationale. The time period of 6 months provides a balance of liquidity and a better return and there will be an opportunity to review in 6 months' time.

The amount of £200,000 is based on the assumption that there will not be a significant call on CIL funds in the next 6 months and leaves a balance of just over £100,000 to meet usual working capital requirements and any CIL funding requests.

Framlingham Town Council
Full Council
5th April 2023

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Appendix A: HSBC interest rates

Length of time	Interest rate
1 month	3.44 %
2 month	3.51 %
3 month	3.60 %
6 month	3.91 %
12 month	4.13 %

Appendix B: Nationwide Building Society

Notice account interest rates

Length of time	Interest rate
35 days	3.19 %
95 days	3.26 %
125 days	3.38 %

Fixed rate interest rates

Length of time	Interest rate
1 year	2.75%
18 months	3.00%

Appendix C: Unity Trust Bank additional information

Unity Trust Bank do offer better interest rates if the money is invested for fixed periods, however the minimum investment is £500,000 so this is not available.

There is a £20 CHAPS fee for withdrawals.

Section 2.2 of the annual investment strategy states that ethical investment opportunities should be considered alongside yield. Unity Trust Bank is a specialist business bank with over 38 years' experience of providing sustainable, ethical banking. Our purpose is to help socially minded businesses prosper and address economic, social and environmental needs in local communities.

VERSION CONTROL

Version	Date	Description of changes
1	9/2/23	Original paper to February Finance Committee
2	16/3/23	Revised paper to March Finance Committee Updated to show Nationwide options, updated interest rates and alignment against investment strategy
3	28/3/23	Revised paper for Full Council. Updated with new interest rates and added recommendations section at start of paper