

Acton Burnell, Frodesley, Pitchford, Ruckley & Langley Parish Council

Investment savings options

September 2023

At the Parish Council meeting on 18 July 2023, the Council asked the Clerk to investigate further options for investing the Council's funds.

Current situation

The Council has circa £100,000 of funds across two financial institutions:

HSBC accounts

Current rates with HSBC PC Account: 1.92%, Lightsource Account: 1.93%

Amount in PC account ca £30,000

Amount in Lightsource ca £20,000

Total HSBC ca £50,000

Cambridge and Counties Savings Bond

Amount in C&C savings bond £50,000

C&C Account Interest Rate: 3.30%

Maturity Date: 04/01/2024

Expected interest over account term: £ 1,640.96

Considerations

The Financial Services Compensation Scheme (FSCS) protects up to £85,000, per financial institution, therefore current distribution of funds between institutions is safely within this limit and there is no immediate need to diversify the PC's investments in order to protect them.

The PC is hoping to spend some CIL funds within the next year on traffic calming measures and the Frodesley Bus stop; therefore the Council may not be in the position to invest a large amount in any further Savings Bonds which do not allow instant access to funds. As a result, the best options, in line with the Council's Investment Strategy, would be to find an instant access savings account with a higher rate than the existing HSBC accounts.

Interest rates have increased significantly since the PC opened C&C bond in January 2023, therefore the PC may be able to get a similar rate for an instant access savings account now. The rate for equivalent C&C bond is now 5%, therefore the PC should get a significantly higher interest rate if it reinvests money in this bond when it matures in January 2024, The Council may also choose to add additional funds to the bond in January in order to invest funds at a higher interest rate while avoiding needing to invest a large sum to meet the minimum investment level for a new bond (C&C starting limit was £50000).

Research findings

The highest "instant access" savings accounts rates still have a notice period to withdraw funds.

e.g. Natwest (or RBS) Liquidity Manager <https://www.natwest.com/business/savings/liquidity-manager.html> - 4.25% 95 day notice or 3.25% 35 day notice.

However many Building Societies offer accounts with no notice period at rates of 3.5% and under. Of these, the best rate for which I am certain the PC is eligible is:

- Cambridge Building Society Council Saver 2.9%
<https://www.cambridgebs.co.uk/savings/business-savings/council-saver#>

Recommendations

Further to the research the Clerk undertook in January 2022, the Clerk still feels it would be prudent to move all PC banking to Unity Trust Bank. This bank is highly recommended by many Clerks who have struggled with HSBC's limitations and by financial organisations such as Scribe, which provides accounting software for many PCs.

Unity Trust Bank's current account does have a monthly fee of £6. However if the PC consolidated the its accounts into one current and one savings account, it could save £4 per month compared to currently paying £10 to HSBC for its two savings accounts. <https://www.unity.co.uk/business-banking/business-current-account/>

Unity Trust Bank currently offers an instant access savings account with no notice period at 2.77%. Therefore the Council could transfer all its funds from HSBC to Unity Trust Bank and open a current and a savings account. While the savings account rate is lower than some other options available, this may be offset by the convenience of having all the PC's liquid funds with one institution and the convenience of being able to manage these accounts online. <https://www.unity.co.uk/business-banking/savings-account-2/>

When the Clerk researched banking options in January 2022, due to disruption to business as a result of the COVID 19 pandemic, Unity Trust Bank was not accepting applications from new customers. However, this no longer seems to be an issue and, therefore, this is now a good opportunity for the Council to reconsider its banking arrangements.

The Clerk recommends the Council reinvests the lump sum in the C&C savings bond when it matures in January and considers whether it wishes to add any additional funds to this bond in January in order to earn interest at a higher level on more funds.