



Wells City Council

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Background

To investigate opportunities to invest Council funds in line with its Investment Policy duties:

'2.1 The general policy objective of the Council is prudent investment of its balances and risk mitigation. The Council's investment priorities are:

- (i) Security of reserves and then*
- (ii) Liquidity of investments*
- (iii) Yield of its investments'*

Current investment accounts

Lloyds Bank Commercial savings (instant access): Precept income - 0.80% gross p.a

Lloyds Bank Commercial savings (instant access): Markets income – 0.80% gross p.a

Nationwide Building Society Business Instant Saver: £20,000 deposited in 2018 incurring interest, current rate 1.50% gross p.a.

Whilst these deposits fulfill the first two priorities of liquidity and security, the yield is significantly low. Additionally, they currently do not fulfil the Investment Policy's clause 3:

'3.1 Wells City Council shall diversify its reserves between multiple relatively highly rated UK banks and building societies. The Council shall only use specified investments as defined by MHCLG guidance.

3.2 A significant percentage of the Council's bulked reserves shall be placed on interest bearing term/notice deposits.

3.3 To retain liquidity these shall be placed with phased end dates i.e. there will always be some maturing sooner than others.

3.4 No one investment shall be for a period longer than 12 months.

3.5 No investment shall be held with the council's current bankers.'

Therefore there is scope to diversify funds securely and obtain higher yields. There are two decisions to be made regarding amounts to invest, where and for how long.

DECISION: WHETHER TO MAKE CHANGES TO INVESTMENT IN THE CURRENT FINANCIAL YEAR

The funds available now for possible immediate investment:

FROM MARKETS

YTD income	£ 59,081.71
Approx forecast expenditure for Q4 including staff costs (not foreseeing any major purchases / maintenance)	£ 36,000
Approx forecast income for Q4 (taking into account kipper rent and seasonal factors)	£ 20,000

Taking into account this exp / income an amount of up to £ 40,000 (dependent on prudent reserve) could be placed into a savings account for a length of time.

FROM NATIONWIDE BUILDING SOCIETY

£21,432.74 that has seen an interest yield of only £ 1,432.74 over the last 7-8 years.

ACCOUNTS RESEARCHED:

1. Our Current provider Nationwide Building Society

Rates for existing customers only. Based on investment of £ 21,432.74

Term	Rate (AER/gross p.a)	Interest earned	Total after term
6 Month Saver	3.9% (annualised)	£ 417.94	£ 21,850.68
1 Year Saver	3.60%	£ 771.58	£ 22,204.32

2. Unity Trust Bank

Unity Trust Bank's Public & Third Sectors Team has recently been established to offer support to Local Councils and other specialist sectors, working directly with local councils to discuss their options and solutions around savings and deposits, as well as assistance with more complex issues. This new direct approach simplifies Council banking, allowing the moving of funds around as needs dictate, giving extra flexibility and control; whilst also being guided through some of the regulatory or process-driven tasks.

Fixed Term Deposit accounts

Term	Rate (Gross / AER)	Interest earned	Total after term
90 Day fixed	3.06%	£ 162.48 per quarter	£ 21,595.22
24 Month Fixed	4.60% p.a.	£ 985.91 (Year 1 + £ 1031.27 (Year 2)	£ 23,449.92

However, a 24 month deposit contradicts the Investment Policy that an investment should not be held for over 12 months.

3. CCLA

Councils use CCLA because:

- It is purpose-built for the public sector
- It offers safe, ethical, well-regulated funds
- It supports both short-term liquidity and long-term income
- It fits neatly into statutory treasury frameworks
- It helps councils meet their legal duties around security, liquidity, and yield

The Public Sector Deposit Fund (PSDF)

Term	Rate	Interest earned	Total after term
Class 2	3.7074%	£ 794.43	£ 22,227.17

(Class 2 is the standard class used by Parish and Town Councils)

Note: the CCLA also provide the Local Authorities Property Fund (LAPF)

- A long-term property investment fund exclusively for councils (3 – 10+ years)
- Invests in commercial and industrial property
- Aims for steady income and long-term capital growth
- Helps diversify investment portfolios

Councils use this for:

- Long-term reserves
- Strategic investments
- Generating income to support services

Long term investment such as this could be looked at in a few years' time when reserves are healthy and in line with long term forecasting.

Options:

1. re-invest Nationwide deposit and an amount from the Markets account (for example, £ 28,567.26 to bring the total to £ 50,000) in a fixed deposit account.
2. re-invest Nationwide only, leaving any investments from Markets to the end of the year / start of new year when General Reserves overall are known.
3. Leave all investment to the end of the financial year, again when it will be known how much we are able to invest from General Reserves, a greater sum for higher yield.

(An additional paper with research and recommendations regarding the investment of precept funds will be put forward nearer April, and next year's forecasting will have taken shape. Due to the continued depletion of the Precept throughout the year an instant access / short notice account may be preferable)

Recommendation:

It would be prudent, given the current position of the Council in regard of reserves, to wait until we can re-evaluate the situation at the end of the financial year and then deposit a larger amount.