



MEETING PAPER - Investments

Finance and Governance Committee

Date: 190212

NOT CONFIDENTIAL

Introduction

Full Council decided (**FC190122/486.1j**) that a savings account should be opened with CCLA and/or Unity Trust and the authority was delegated to Finance and Governance Committee to make a decision and open the savings account/s.

Details

At the end of the 17-18 financial year the Council had £414,968.82 in General Reserve and £286,160.70 in Earmarked Reserves.

The 18-19 forecasted General Reserve decrease is £291,520 (Total General Reserve £123,448) and the forecasted EMR increase is £136,340 (Total EMR forecast £422,500).

The 19-20 forecasted General Reserve Increase is £25,000 (Total General Reserve £148,448) and the forecasted EMR increase is £181,330 (Total EMR forecast of £603,830).

A summary of the reserves position is tabulated overleaf.

| Reserve Name | 2017-2018 Increase | 2017-2018 Decrease | 2017-2018 End Total | 2018-2019 Forecast Increase | 2018-2019 Forecast Decrease | 2018-2019 End Total | 2019-2020 Forecast Increase | 2019-2020 Forecast Decrease | 2019-2020 End Total |
|---------------------------------|-----------------------|-----------------------|------------------------|-----------------------------------|-----------------------------------|------------------------|-----------------------------------|-----------------------------------|------------------------|
| General Reserve | £414,968 | None | £414,968 | None | £291,520 | £123,448 | £25,000 | None | £148,448 |
| Civic and Ceremonial | £9,480 | None | £9,480 | None | None | £9,480 | None | None | None |
| Elections Reserve | £18,160 | None | £18,160 | £20,000 | £28,536 | £9,624 | £20,600 | Unknown | |
| Legal Reserve | £50,000 | None | £50,000 | None | £20,580 | £29,420 | £15,000 | Unknown | |
| Lowestoft Collection Reserve | None | None | None | £28,000 | None | £28,000 | £10,000 | None | £38,000 |
| Marina Theatre Reserve | £4,600 | None | £4,600 | £14,274 | £7,390 | £11,484 | £20,000 | £14,601 | £16,883 |
| Parks and Open Spaces | None | None | None | £37,700 | Any Spending | | £38,831 | Any Spending | |
| Play Areas Reserve | None | None | None | £50,000 | None | £50,000 | £50,000 | Any Spending | |
| Public Convenience Reserve | None | None | None | None | None | None | None | None | None |
| Repairs and Maintenance Reserve | £83,700 | None | £83,700 | Any Underspend | Any Overspend | | Any Underspend | Any Overspend | |
| Staffing Reserve | None | None | None | £25,000 | None | £25,000 | £41,500 | None | £66,500 |
| Training Reserve | £4,500 | None | £4,500 | Any Underspend | Any Overspend | £4,500 | Any Underspend | Any Overspend | £4,500 |
| Triangle Market | £50,000 | None | £50,000 | None | None | £50,000 | None | None | £50,000 |
| Capital | £20,500 | None | £20,500 | None | None | £20,500 | None | None | £20,500 |
| CIL | £45,220 | None | £45,220 | £17,872.45 | None | £63,093 | Unknown | Unknown | Unknown |

The Council has a current account with Unity Trust which attracts no interest and £39 per quarter charges. There is also a charge of 30p per item for cheques and 50p per £100 of cash paid in.

A short term investment with the DMADF (part of the UK Debt Management Office) yielded 0.43% £434.71 on £300,000 over a four month period. £28 CHAPS fee for transfer.

The Council has options on the way to handle the reserves; this can include leaving them as they are, moving them to a fixed-term deposit account, looking at a higher return fund/scheme or a mixture of both types of investment. Before the Council is able to look into any scheme it must be confident of the amount of money available to invest and the length of time over which it may invest and, potentially, lose ready access to the funds. Cashflow, risk management and security are among the considerations. On that basis, established companies with a long-track record were considered as part of the conclusion on progressing Unity Trust and/or CCLA.

The bank base rate is 0.75%.

The CCLA Public Sector Deposit Fund is a short-term investment fund with a 'high level of capital security' and a 'competitive rate of interest'.

<https://www.ccla.co.uk/investment-solutions/fund/the-public-sector-deposit-fund>

On 8 February 2019 the yield was **0.7908%** an increase from 0.7501% on 31 December 2018, although the situation can change on a daily basis.

Minimum initial investment - £25,000

Minimum subsequent investment - £5,000

Dealing day is each business day

Withdrawals – on demand

Charges – **0.1%** (reduced to 0.08% as at 31 December 2018)

Weighted average maturity – 51.41 days (maximum is 60 days)

CCLA Local Authorities' Property Fund is for longer-term investment

<https://www.ccla.co.uk/investment-solutions/fund/the-local-authorities-property-fund>

Gross dividend yield **4.21%** at 31 December 2018

Minimum initial investment - £25,000

Minimum subsequent investment - £10,000

Pays dividends quarterly.

Annual management charge of **0.65%**

Units realisable on each monthly dealing date and redemptions may not be readily realisable; 6 month's notice may be imposed.

Unity Trust

<https://www.unity.co.uk/business-savings-deposit-accounts/>

Instant Access Account net rate 0.32%, gross rate **0.4%** and Annual Equivalent Rate 0.4%.

No internet banking transactions or fee for having an account. Need to request transfers to an account. Charges apply as per current account for paying-in but no charge for transfers between Unity Trust accounts.

DMADF fixed term deposits (part of the UK Debt Management Office)

Min deal size £250,000 15 days to 6 months

Min deal size £500,000 8 to 14 days

Min deal size £1 million up to and including 7 days

Rates range from **0.50%** to **0.52%** depending on length of deposit (4 months is 0.51 and 6 months is 0.52%).

Nationwide Business 1 Year Saver (includes parish councils)

<https://www.nationwidecommercial.co.uk/business-savings/1-year-fixed-rate>

Interest rate **0.80%** fixed for term

Min deal £5,000 and several can be opening but cannot exceed £10 million total.

No charges.

Several accounts can be opened.

Recommendations

Owing to uncertainty created by the Council having less two years of operation, the recommendation is to reduce the amount of funds not immediately available.

1. Consider setting up a Unity Trust Instant Access Account and transferring £450,000 across, with the Clerk able to transfer between Unity Trust accounts and normal safeguards applying for transfers out of the Unity Account.
2. Consider setting up a CCLA Public Sector Deposit Fund account with a sum of £200,000 (reducing the Unity Trust deposit).
3. Consider setting up a CCLA Local Authorities' Property Fund with a sum of £100,000 with a view to a minimum of a 5-year deposit (further reducing the Unity Trust deposit).