

## **15. Report on Cash Balances and Investment Options**

The Town Council currently has cash holdings as follows:

| <b>Bank</b>                            | <b>Balance</b>     | <b>Interest Rate</b> | <b>Notes</b>   |
|--|--------------------|----------------------|--|
| HSBC Business Current (instant access) | *391,343.64        | Nil                  | Balance as at 30.9.18 adjusted for outstanding transactions  |
| Cornwall Council (instant access)      | 206,246.87         | 1.13%                | Balance as at 30.9.18<br>Daily fluctuating interest rate –<br>Sept high 1.13% low 1.02% -<br>compounded monthly  |
| United Trust Bank (7-day deposit)      | 177,537.50         | 0.1%                 | Balance as at 17.10.18<br>Previously 1-year fixed rate bond<br>@ 1.45% - matured on 17.10.18 –<br>if instructions not received by<br>14.11.18 will be repaid to HSBC |
| <b>Total</b>                           | <b>£775,146.01</b> |                      |  |

\*includes receipt of a 50% precept payment in mid-September and funds from the closure of the two old Lloyds Bank accounts.

The large balance currently held with HSBC is not earning any interest, and it is recommended some of this is transferred to an interest-bearing account. In addition, following the recent maturity of a 1-year fixed rate savings bond with United Trust, these monies should also be considered for reinvestment.

### **Options**

#### **1-year fixed rate bonds (no access within the term)**

- United Trust Bank have offered a preferential rate of 1.9% (£1,900 pa based on a £100,000 investment, paid on expiry of the term) for existing customers reinvesting before 14 November on some or all the existing balance, with the option to add additional funds if desired up to a maximum balance of £1,000,000. They are currently offering new customers 1.65% (until last week this was 1.8%).

The best comparable rates which can currently be found in the market are:

- Union Bank of India 2.02% fixed for 1 year (£2,020 pa based on a £100,000 investment)
- Cambridge and Counties Bank 1.86% fixed for 13 months (£1,860 pa based on a £100,000 investment)

While the best rate would earn an additional £120 pa based on a deposit of £100,000 this would be largely offset by the time the funds spend out of the system while the deposit is established, and the officer time and resource required to complete the transaction.

Notice accounts – these provide better returns than instant access but do allow access to funds after the given notice period.

- Cambridge and Counties Bank (180 day notice) 1.65% AER variable (£1,650 pa based on a £100,000 investment)
- United Trust Bank (100 day notice) 1.5% AER variable (£1,500 pa based on a £100,000 investment)
- Redwood Bank (35 day notice) 1.35% AER variable (£1,350 pa based on a £100,000 investment)

Instant access

- Cornwall Council 1.13% as at 30.9.18 (fluctuates daily) – interest compounded monthly (£1,130 pa based on a £100,000 investment)

Similar rates of around 1% variable are available within the market but are generally operated online with a maximum one/two signatories which may not meet the terms of our Financial Regulations.

**Breakdown of existing funds:**

| <b>Requirements</b>  | <b>Amount</b>          |
|--|------------------------|
| 6 months precept (recommendation to retain instantly accessible for working capital)   | 211,270                |
| Cattle Market redevelopment possible investment - date required unknown  | 100,000                |
| Public Hall refurbishment (from General Reserve) – to be completed by December 2018 (£155,000 agreed spend less approx. £100,000 payments already made to contractors and reflected in balances) | 55,000                 |
| Nominated Reserves – Facilities (as at 31.3.17?)   | 161,376                |
| Nominated Reserves – Finance and General Purposes, includes Neighbourhood Plan, Elections, CCTV, Match Funding etc (as at 1.4.18)  | 89,364                 |
| Nominated Reserves – Communications and Engagement, including Museum   | 50,951                 |
| General Reserve remaining balance  | 107,185                |
| <b>Total</b>   | <b><u>£775,146</u></b> |

The Council should aim to maximise returns on its cash holdings, while keeping sufficient funds accessible to meet all its commitments as they fall due.

**Recommendations:**

Reinvest £107,000 in a 1 year bond with United Trust (General Reserve remaining balance, funds not expected to be required for one year) OR £207,000 (General

Reserve remaining balance plus £100,000 if we do not believe an investment in the Cattle Market redevelopment will be required within the next 12 months)

Transfer £290,000 less payments due to Public Hall contractor by 31.12.18 from HSBC to Cornwall Council, with a standing instruction to transfer monies back to top up the HSBC account when the balance falls below £40,000 (one month's linear expenditure) NB special consideration needed when making large payments i.e. to the contractor for works on the Public Hall refurbishment.

A standing instruction to transfer excess funds to Cornwall Council (in rounded multiples of £10,000) when the balance of the HSBC account exceeds £100,000 i.e. immediately after receipt of precept.

Report breakdown of all cash balances to the Finance and General Purposes committee every two months.