



Thatcham Town Council

BANKING AND INVESTMENT POLICY 2021-22

1. Banking:

1.1. The Town Council has the following accounts with NatWest bank:

- Current account
- Business Reserve account
- Clerk's account (for the return of deposits for hall hire, petty cash and day to day expenses)

2. Investments 2020/21:

2.1 Investment of the Minimum Reserve

Details of the current investment vehicles for the minimum reserve of £220,000 are shown in the table below:

Provider	Investment	Anticipated interest receipts in 2021/22	Term	Interest rate
Newbury Building Society	£90,128.44	£675.96	No fixed term	Variable - currently 30.4.21 0.75%
Nationwide Building Society	£53,350.04	£533.50	23.08.21-21.08.21	0.1% fixed
Close Brothers Finance	£52,345.59	£366.42	19.08.20-19.08.21	0.7% fixed
Lloyds Bank	£51,544.50	£103.09	12.11.20-12.11.21	0.20 % fixed
TOTAL	£247,368.57	£1,678.97		Rate of return = 0.68%

Newbury Building Society: Access 90 Closed Account : Annual Gross Interest received for the period 6.4.20-5.4.21 was £1038.41 at 0.9%. The current variable interest rate is 0.75% and has been used in the anticipated interest calculation above for the remainder of 2021/22

Nationwide Building Society: 1-year fixed term maturity reserve account : will receive £533.50 at 0.01% on maturity 21.8.21 . An investment decision will be required during August, the fixed term agreement is currently paying 0.1% and this has been used in terms of anticipated interest for the remainder of 2021/22.

Close Brothers Savings: 1-year Fixed Term agreement will receive £366.42 at 0.7% on maturity 19.8.21. An investment decision will be required during August, the fixed term agreement is currently paying 0.7% and this has been used in terms of anticipated interest for the remainder of 2020/21.

Lloyds Bank: 1-year fixed term agreement will receive £103.09 at 0.20% on maturity 12.11.21. An investment decision will be required during November, the fixed term agreement is currently paying 0.05%

The average rate of return of 0.68% compares to the current Bank of England base rate of 0.1% with many financial institutions offering well below the bank of England base rate.

2.2 Investment of residual balances:

The Public Sector Deposit Fund is used throughout the year to manage cash flow requirements. Dividends received during 2019/20 are shown in the following table:

Month	Holding (end of the month)	Dividend Received
April 2020	£550,000	£276.88
May 2020	£550,000	£176.66
June 2020	£550,000	£158.28
July 2020	£550,000	£136.49
August 2020	£550,000	£89.71
September 2020	£550,000	£62.49
October 2020	£550,000	£61.35
November 2020	£550,000	£40.73
December 2020	£550,000	£28.06
January 2021	£550,000	£24.11
February 2021	£550,000	£16.82
March 2021	£480,000	£20.41
	TOTAL	£1,091.99

The yield on PSDF at close of business on 8 July 2021 is 0.0244%

2.3 Investment of Working Balances:

Working balances are transferred into the Business Reserve account. The bank makes an automatic sweep from the Business Reserve to meet the requirements of the current account. Interest received on the Business Reserve Account is shown in the table below:

Month	Interest received
April 2020	£12.46
May 2020	£52.95
June 2020	£2.44
July 2020	£1.78
August 2020	£1.15
September 2020	£0.91
October 2020	£3.42
November 2020	£3.09
December 2020	£2.31
January 2021	£1.69
February 2021	£1.11
March 2021	£0.73
TOTAL	£84.05

3. Credit, Debit and SOLDO Prepayment Cards

3.1 The Council does not have any credit or debit cards, only a SOLDO prepayment card. which is used for low value purchases and eliminates the need to hold larger amounts of cash.

4. Review of the Treasury Management Policy

4.1 The current Treasury Management Policy requirements are as follows:

- (a) The recommended minimum reserve (equal to three months net expenditure) is placed on deposit for one year in four equal amounts at three month intervals.
- (b) Residual balances are held in the Public Sector Deposit Fund and/or the NatWest Treasury account according to cash flow requirements and interest rates.
- (c) Working balances are held on Business Reserve.

4.2 The current Treasury Management Policy has been reviewed. Investing in the market is subject to the following constraints:

- (a) It is difficult to place investments quickly and within a precise time-scale because account opening processes for Town Councils are generally complex and time-consuming.
- (b) The minimum requirement set by many investment institutions is £100,000 or more.
- (c) Provided the interest rate remains favourable, rolling investments over with existing providers ensures a seamless transfer of funds with no loss of interest while a new investment is arranged.

4.3 The Council approach:

- (a) The Council shall spread the recommended minimum reserve between four highly rated UK banks and building societies. To retain liquidity these investments shall be placed with differing end dates i.e. there will always be some maturing sooner than others. No single investment shall be for a fixed period of longer than 365 days..
- (b) Residual balances shall be held in the Public Sector Deposit Fund according to cash flow requirements and interest rates. Requirements shall be assessed by the Clerk and RFO on a regular basis.
- (c) Working balances shall be held on Business Reserve.

5. Review of investments for the minimum reserve

5.1 The minimum reserve for 2021/22 is set at £220,000. The current investments for the minimum reserve total £249047.54 including anticipated interest.

5.2 The average rate of return of 0.68% compares to the current Bank of England base rate of 0.1% with many financial institutions offering well below the bank of England base rate to Local Authorities for Triple A investments. The recommendation to the Investment Panel is to roll forward existing investments until interest rate show signs of improvement and there will be a cost benefit in terms of the time taken to set up new accounts.