

POLICY AND PROCEDURE: INVESTMENT PLAN 2022-23

2022-23 Investment Plan- mid year review (Sept 2022)

The Investment Plan is normally reviewed annually but changes in the economic climate and the maturity of a 1-year business bond means that a mid-year review has been undertaken.

Funds Available for Investing

MPC has approximately £340,000 temporary surplus funds available during 2022/23 (see table below):

| Source | Balance at 01/04/22 | Maximum investment term | Comments |
|--|---|--|--|
| General Reserve | £158,500 | 3 months | Easy access required in case of emergency need |
| Asset Management Reserve | £72,000 | £10k: instant access £62,000: 3m-1 yr | £10k anticipated for projects in 2022/23 – needs to be accessible |
| s106 Reserve (unallocated funds only) | £110,000 (note: further funds may be received in 2022/23) | 3 months (potentially 1 yr if no further projects anticipated this year) | Balance excludes funds that have already been allocated or are anticipated to be allocated to projects in 2022/23 e.g. playground, skate park, boardwalk etc |

- The majority of MPC's available funds should be kept readily accessible - maximum three month notice period.
- It should be possible to invest part of the AMR and s106 reserve for a longer term.
- The Investment Plan should be reviewed as MPC's plans for spending s106 and AMR funds are agreed to ensure that funds are available when required.

Economic Climate

Following a period of interest rates being at a historic low, recent inflationary pressures have resulted in several increases to the Bank of England base rate. This was raised to 2.25% in September 2022. Interest rates are anticipated to increase further in 2022/23 due to continued inflation.

Current position – 10th October 2022

MPC has £325,286 invested in four accounts – see breakdown below.

Review of existing investment performance:

| Institution | Product | Current Investment | Notice Period | Yield (at 10 Oct 2022) | FSCS Yes/No | Credit Rating |
|-------------|-----------------------------|--------------------|---------------|------------------------|-------------|-----------------|
| CCLA | Public Sector Deposit Fund* | £45,000 | On demand | 1.97% | n/a | AAAmf (Fitches) |

| | | | | | | |
|----------------------|---|----------|------------------|-------|---|-------------------------|
| | (money market fund) | | | | | Unchanged |
| Nationwide (issue 1) | 45 day Members Business Saver deposit account | £115,146 | 45 days | 1.55% | Y | AA3 (Moody's) Unchanged |
| HTB (issue 7) | 45 day Business Notice | £135,000 | 45 days | 0.5% | Y | - |
| Charity Bank | 1 yr ethical fixed rate | £30,140 | Matured 26/08/22 | 0.47% | Y | - |

*The Public Sector Deposit Fund is a money market fund specifically designed for the Public Sector. It invests in a diversified portfolio of high quality sterling denominated deposits and instruments. Its primary aim is to maintain the net asset value of the fund at par. The purchase of shares in the PSDF is not the same as investing in a bank deposit account and is not a guaranteed investment. There is a risk that the value per share may fall below face value.

Investment Options for remainder of 2022/23

A review of available investments, open to Parish Councils, which meet MPC's Investment Strategy requirements was undertaken (see Appendix 1 below).

The **best yields** currently available to Parish Councils are:

| Institution | Product | Minimum Investment | Notice Period | Yield (at Feb 2021) Fixed/Variable | FSCS Yes/No | Credit Rating |
|---------------------------|-------------------------------|--------------------|---------------|------------------------------------|-------------|---------------|
| Charity Bank | Ethical 40 day notice | £1,000 | 40 days | 1.55% V for bals>£10k | Y | - |
| Cambridge & Counties Bank | 95 day business notice | £10,000 | 95 days | 1.65% V | Y | - |
| Cambridge & Counties Bank | 1 yr fixed rate business bond | £10,000 | Matures 1 yr | 2.75% F | Y | - |

MPC currently has £325,286 invested. The available fund for investment is approximately £340,000. MPC could increase their invested funds by £15,000.

Of MPC's existing investment accounts, CCLA is performing well and Nationwide offers relatively good yields compared to the best new offerings. However, HTB is no longer offering a competitive return and has withdrawn all short-term deposit accounts. Our Charity Bank 1 year bond has matured and requires re-investing.

Cambridge & Counties Bank are offering good returns although one account requires 95 days' notice and a yield which is not significantly lower is offered by Charity bank with 40 days' notice whilst CCLA offers instant access with a higher yield. Cambridge & Counties 1-year fixed rate business bond is the best return currently available to Parish Councils.

Investment Plan Recommended for remainder of 2022/23:

CCLA PSDF – this investment is currently performing well. MPC should increase their investment by £40,000 to £85,000. Note that this investment is not the same as a bank deposit.

Nationwide 45 day business saver - this account has offered consistently good returns and remains one of the best returns currently available with under three months' notice. MPC should keep their investment at the current level (£115,000). This balance exceeds the FSCS limit.

Hampshire Trust Bank 45 day notice deposit – the return is no longer competitive and the account should be closed and the proceeds (£135,000) reinvested in a Charity Bank ethical 40 day notice account (£50,000), CCLA (£25,000) and Cambridge & Counties Bank 1 year fixed bond (£60,000).

Charity Bank 1yr ethical fixed rate/ethical easy access – the proceeds from the matured 1yr bond (£30,000) should be invested in a new Charity Bank ethical 40 day notice account along with some of the proceeds from the HTB closed account. Total investment £80,000.

Cambridge & Counties Bank 1 year fixed business bond – MPC should invest £60,000 of the proceeds from HTB in a new investment with C&CB

Total invested = £340,000 (includes £15,000 increase)

Liquidity breakdown of suggested investments:

£85,000 = instant notice (25%)

£80,000 – 40 day notice (23.5%)

£115,000 = 45 day notice (34%)

£60,000 = one year maturity (17.5%)

The proposed investment plan spreads investments between institutions and account types which spreads risk via diversification.

All investments should be reviewed in March 2023 or earlier if there is a significant change in interest rates, perceived risk of financial institution failure or economic climate.

Document Approval:

(Chair to Melbourn Parish Council)

Date of Parish Council meeting: 24th October 2022

Review: 6 months

Version 1
Review Date: March 2023

Appendix 1 Bank and Building Society Deposit Accounts Review October 2022

Brown Text = best returns

| Provider | Investment Type | Open to PC's | Access | Minimum Deposit | Interest Rate V variable F fixed | FSCS |
|----------------------------|---------------------------------|--------------|---|-----------------|--|------|
| Instant Access | | | | | | |
| Cambridge Building Society | Council Saver | Y | Instant – max 2 x per mnth. Deposits and withdrawals by cheque only | £1,000 | 0.75% V | Y |
| Unity Trust | Instant Access | Y | Instant | None | 0.76% V | Y |
| Notice Accounts | | | | | | |
| Nationwide | 35 Day Saver | Y | 35 days | £5,000 | 1.5% | Y |
| Charity Bank | Ethical 40 day notice Business | Y | 40 days | £1,000 | <£25,000 1.4% V >£25,000 1.55% V | |
| Cambridge & Counties Bank | 95 day business notice | Y | 95 days | £10,000 | <£10,000 0.1% V >£10,000 1.65%V | Y |
| Nationwide | 95 day business saver | Y | 95 days | £5,000 | 1.6%V | Y |
| Charity Bank | Ethical 100 day Business Notice | Y | 100 days | £1,000 | <£25,000 1.72% V >£25,000 1.87% V | Y |
| Nationwide | Business 125 day | Y | 125 days | £5,000 | 1.7%V | Y |
| Fixed-Term | | | | | | |
| Charity Bank | 1 yr ethical fixed rate | Y | 1 yr fixed term | £10,000 | 2.56% F | Y |

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| | | | | | | |
|--|--|---|--|--------------------------------------|---|---|
| Cambridge & Counties Bank | 1 yr fixed rate business bond | Y | 1 yr fixed term | £10,000 | 3.3% F | Y |
| Nationwide | 1 yr saver | Y | 1 yr fixed term | £5,000 | 2.75% F | Y |
| Other | | | | | | |
| CCLA | Local Authorities Property Fund | Y | 3 mths notice to sell shares. Investment intended for long-term returns 5 yr + | £25,000 (min subsequent inv £10,000) | Dividend 2.3% Capital 2.75% (Mar 2022) | N |
| <u>Others – considered but not currently suitable</u> | | | | | | |
| Virgin Money | All savings accounts | N | | | | Y |
| Aldermore Bank | All savings accounts | N | | | | Y |
| Metro | Needs to be opened at a branch - Cambridge | ? | 35-95day | | | Y |
| TSB | Need TSB current a/c | ? | | | | Y |
| Cynergy | All business savings accounts withdrawn. Current a/c only | | | | | Y |

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| | | | | | | |
|--------------------------------|---------------------------------|-------------------------------------|--|--------|--|---|
| HSBC | Business money manager | ? Need to apply in person at branch | Instant | None | | Y |
| Barclays | Need Barclays current a/c | ? | | | | Y |
| Lloyds | | N | | | | Y |
| Natwest | Need to open in person | | | | | Y |
| Co-op | All savings accounts | Need a current a/c with Co-op | Instant to 95 days | None | | Y |
| Starling Bank | All accounts | N | Do not seem to offer deposit accounts | | | |
| Santander | Business Everyday | N | Instant | £1 | | Y |
| Santander | Business Reward | N | Instant but interest reduced if make withdrawals | £1 | | Y |
| Santander | Fixed rate business bond | N Also existing customers only | 1 yr fixed term | £5,000 | | Y |
| Clydesdale Bank (Virgin Money) | Business Access Savings account | N | Instant | £1 | | Y |
| Clydesdale Bank (Virgin Money) | Business Notice account | N | 30 – 120 days | | | Y |
| UK Govt Gilts | Need a stockbroker account | Y | 2-30 yr + maturity but can be traded | | | |