



Thatcham Town Council

BANKING AND INVESTMENT POLICY 2019-20

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 2018/19:

2.1 Investment of the Minimum Reserve

Details of the current investment vehicles for the minimum reserve are shown in the table below:

Provider	Investment	Anticipated interest receipts in 2019/20	Term	Interest rate
Newbury Building Society	£56,094.65	£841.42	No fixed term	Variable - currently 1.5%
Nationwide Building Society	£52,372.07	£418.98	22.08.18-21.08.19	0.8% fixed
Close Brothers Finance	£51,518.77	£592.47	12.02.19-12.02.20	1.15% fixed
Lloyds Bank	£50,452.47	£554.98	12.11.19-12.11.20	1.1% fixed
TOTAL	£210,437.96	£2,407.85		Rate of return = 1.14%

2.2 Investment of residual balances:

The Public Sector Deposit Fund is used throughout the year to manage cash flow requirements. Dividends received during 2018/2019 are shown in the following table:

Month	Holding (end of the month)	Dividend Received
April 2018	£400,000	£177.75
May 2018	£400,000	£181.25
June 2018	£400,000	£171.83
July 2018	£550,000	£204.64
August 2018	£550,000	£298.80
September 2018	£500,000	£261.13
October 2018	£500,000	£316.77
November 2018	£650,000	£330.75
December 2018	£650,000	£410.67
January 2019	£600,000	£413.37
February 2019	£550,000	£356.32
March 2019	£500,000	£333.13
	TOTAL	£3,456.41

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 2018	£2.27
May 2018	£12.82
June 2018	£13.76
July 2018	£11.13
August 2018	£3.13
September 2018	£3.05
October 2018	£4.03
November 2018	£42.04
December 2018	£17.07
January 2019	£12.29
February 2019	£8.27
March 2019	£11.14
TOTAL	£141.00

3. Review of the Treasury Management Policy

3.1 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.

3.2 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.

3.3 Recommendation:

It is recommended that the Treasury Management Policy should be updated for 2019/20 to take account of the constraints in investing:

- (a) The Town 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. Reference will be made in the assessment of credit worthiness to the general economic and political environment in which institutions operate.
- (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.

4. Review of investments for the minimum reserve

4.1 The minimum reserve for 2019/20 is set at £220,000 (FUL/2019/08 (a)). The current investments for the minimum reserve total £212,845.81 including anticipated interest.

4.2 Recommendation:

It is recommended that a further £7,150 should be invested with Newbury Building Society to:

- (a) Take advantage of the favourable rate of interest
- (b) To bring the total investments in line with the minimum reserve