

# St Paul Malmesbury Without Parish Council

## Report #03.2

### Investment of surplus funds

#### 1) Purpose of the report

To enable the Council to determine safe and liquid means of investing surplus fund until such time as they are needed.

#### 2) Background

The Council has until recently not had surplus funds in excess of those that could be left on call in the Barclays Active Saver account. This money has the protection of the Financial Services Compensation Scheme (FSCS) underwritten by the UK Government for amounts up to £85000. As a result of the receipt of CIL money the Council currently has £105000 at Barclays. Although the bank is rated as an A-1 short term risk and is a core part of the UK banking system, it may be thought prudent to put available funds in excess of £85000 with another bank. (Our forecasts show that we may have over £100000 to invest in periods during this year.)

The practicality of this has been investigated. Many banks of standing (e.g. Lloyds, NatWest, Co-op Bank, Nationwide) will not take relatively small amounts other than in some cases where they will do so for those who have business accounts with them. Others will not take deposits for periods shorter than 90 days.(e.g. Close Brothers). It can be argued that this may mean that the Council could not access its money to meet unexpected requirements. Some lesser known banks (e.g. United Trust Bank) will take amounts over £5000 and for notice periods of 40 days and over. Deposits would be covered by the FSCS.

Investing with a credit union has been suggested. Contact has been made with the Wiltshire and Swindon Credit Union and they will take deposits up to £22000. Further investigation would be needed to establish interest rates and notice periods. It can be noted that it is believed that a deposit would be covered by the FSCS but this needs to be confirmed. However, it is a fact that from their very nature their assets are high risk and the sector experiences a relatively high rate of failures.

#### 3) Options

- a) Continue with Barclays and accept that while we may have over £85000 with it, the importance of it to the banking system is such that it is too big to fail.
- b) Authorise Councillors Briggs and Hopkins together with the RFO to invest with other banks/credit unions which have the FSCS protection and which they deem to be acceptable, recognising that this may take a few weeks to do. Notice periods should be no longer than 45 days.

#### 4) Recommendation

Option (b) is recommended as the more prudent one.