Banking and Treasury Management Arrangements

Thurston Parish Council

Paper: Paper Banking and Treasury Arrangements – Agenda Item 5a
Reason: To consider further measures for the business banking arrangements
Period covered: 1st April 2026 to 31st March 2027
Presented to Council: Policy and Resources Committee Meeting
Date: 29th July 2026
Author: Responsible Financial Officer (RFO)

Summary

This report sets out how the Council should consider managing its monies with regards to cash flow requirements, fund diversification and investment optimisation.

Current situation

Currently, the Council has adopted a prudent approach with the majority of funds held by the Council being held in instant saver and notice accounts between 35 days and 95 days depending upon the account.

For details of the funds held see the paper Financial Portfolio to July 2026

Council's investment objectives

- Security - in recognising the Council's responsibility to Council Taxpayers, the parish council will seek to ensure all investments are made with a body or an investment scheme which has been awarded a high credit rating by a credit agency in comparison with other financial institutions.
- Liquidity - whilst the Parish Council may invest funds in either short term or long-term investment products, the presumption will be that it will maintain high levels of liquidity and seek investment generally for a period of up to 12 months.
- Return - this will depend upon the investment options available at any one point in time.
- In accordance with the Council's Climate Emergency Declaration, ethical investment opportunities which seek to positively contribute to the environment will be considered alongside yield, subject to any such investment complying with the statutory guidance as outlined in this document.

Investment options for local authorities

There are limited options available for savings accounts for Town and Parish Councils.

Institution	Accounts used	Accounts available	Rates	FCS eligible	Liquidity
Redwood	95-day notice		3.20%	Yes	95 days' notice
		35-day notice		Yes	35 days' notice
		1-year fixed bond		Yes	Fixed term
Hampshire Trust Bank		6-month fixed bond	4.30%	Yes	Fixed term
		9-month fixed bond	4.30%	Yes	Fixed term
		1-year fixed bond	4.31%	Yes	Fixed term
Lloyds	Savings	Instant access	0.70%	N/A	Instant access
	186-day term	186-day fixed bond	2.04%	N/A	Fixed term
		32-day notice	1.85%	N/A	32 days' notice
		95-day notice	2.66%	N/A	95 days' notice
		6-month fixed bond	2.21%	N/A	Fixed term
		9-month fixed bond	2.36%	N/A	Fixed term
		12-month fixed bond	2.75%	N/A	Fixed term
Hinckley & Rugby BS		45-day notice	2.10%	Yes	45 days' notice
		90-day notice	2.50%	Yes	90 days' notice
		160-day notice	3.40%	Yes	160 days' notice
Unity Trust	Savings	Instant access	1.96%	Yes	Instant access
		1-year fixed bond		Yes	Instant access
Cambridge BS		Instant access	1.75%	Yes	Instant access

CCLA (Churches, Charities and Local Authorities) Investment Management Ltd

The CCLA Investment Management Ltd, who are authorised and regulated by the FCA (Financial Conduct Authority), manage three accounts that are designed for Local Authorities and public sector funds. These LA investment funds were first established in the early 1960s. The three funds currently available are:

a) The Public Sector Deposit Fund (for short term deposits).
b) The CCLA Cautious Multi-Asset Fund (for medium term investments – seeks to offer a balanced return of both income and capital growth over 5 years).
c) The Local Authorities Property Fund (for long term investments in a diversified portfolio of commercial properties - seeks a high level of income and long-term capital appreciation).

The former is a fund that is invested in a diversified portfolio of high-quality sterling denominated deposits and instruments. The weighted average maturity of these investments is not to exceed 60 days. The fund will not invest in derivatives or other collective investment schemes. The objective is to maximise current income consistent with the preservation of capital and liquidity.

The fund is categorised as a short-term low volatility net asset value money market fund under the Money Market Fund Regulation.

The Fitch Credit Rating Agency awards this CCLA fund an AAAmmf (the highest rate warded) which indicates the high quality investment grading of the fund.

Many Town and Parish Councils invest in the CCLA Public Sector Deposit Fund due to its low-risk profile, short-term accessibility, and competitive interest returns. The fund is widely regarded as a secure and flexible option for managing public sector cash balances.

Recommended changes

1. The Responsible Financial Officer (RFO) will continue to actively manage the Lloyds accounts so that most working capital is held in the Lloyds accounts to manage cashflow.
2. That the RFO be authorised to move monies between accounts to improve rates of return whilst continuing to prioritise the security and liquidity of reserves.
3. The RFO will continue to actively manage the Unity Trust current account so that there is sufficient working capital to manage the payroll function of the council
4. The RFO will continue to actively manage the Redwood savings account to optimise the investment return (within the FCS limit).
5. The Lloyds 186 days Term, at maturity date, be increased to £100,000 for a 12month term at current rate of 2.2%
6. That an account be opened with Hampshire Trust Banks in the amount of £120,000 in a 1 year online fixed saver with an AER of 4.31%
7. Any surplus above the FCS limit in the Lloyds savings account should be considered for investment in other products (see appendix A).
8. That the updated version of Investment Strategy (Appendix B) be approved and adopted.

Appendix A – investment recommendations:

1. The Lloyds 186 days Term, at maturity date, be increased to £100,000 for a 12month term at current rate of 2.2%
2. An account be opened with Hampshire Trust Bank in the amount of £120,000 in a 1-year fixed bond online fixed saver with an AER of 4.31%
3. That council invests, as an initial investment, in the Public Sector Deposit Fund a sum of £200,000. This sum would comprise the Council's general reserves and a proportion of its earmarked reserves. Current indicative returns are between 3% and 4% interest per month, with interest payable directly into a nominated bank account. Funds deposited can be withdrawn with one day's notice, providing flexibility and liquidity for the Council's financial management.

Appendix B – Investment Strategy

Introduction

As part of its fiduciary duty, Thurston Parish Council (the Council) acknowledges the importance of prudently saving and investing any temporarily surplus funds held on behalf of the community.

This policy complies with the revised requirements set out in the Department of Communities and Local Government Guidance on Local Government Investments and takes into account Section 15(1)(a) of the Local Government Act 2003 and guidance within the Governance and Accountability for Local Councils Practitioners' Guide 2026.

Parish Councils have the power to invest surplus funds and the Local Government Act 2003 states that a local authority may invest:

- For any purpose relevant to its functions under any enactment.
- For the purpose of prudent management of its financial affairs.

Policy

This strategy establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Council's treasury management activities and the associated risks and should be read in conjunction with the Council's Financial Regulations.

Investment Objectives

The Council's priorities will centre on managing the risks associated with investment by prioritising security above the other two investment criteria.

- Security - in recognising the Council's responsibility to Council Taxpayers, the parish council will seek to ensure all investments are made with a body or an investment scheme which has been awarded a high credit rating by a credit agency in comparison with other financial institutions.
- Liquidity - whilst the Parish Council may invest funds in either short term or long-term investment products, the presumption will be that it will maintain high levels of liquidity and seek investment generally for a period of up to 12 months.
- Return - this will depend upon the investment options available at any one point in time.

In accordance with the Council's Climate Emergency Declaration, ethical investment opportunities which seek to positively contribute to the environment will be considered alongside yield, subject to any such investment complying with the statutory guidance as outlined in this document.

Control Measures

All investments will be made in sterling, and any repayments or payments will also be made in sterling.

All investments will be within the United Kingdom only.

The Responsible Financial Officer (RFO) may place funds in investments subject to:

a. compliance with the strategy outlined below; and
b. consultation with a minimum of two members of the Policy & Resources Committee.

Investments should be spread over different providers where appropriate to minimise risk.

Investment Strategy

Thurston Parish Council's main accounts are maintained with UK clearing banks – Lloyds Business Account (Current and Instant Access Account), Lloyds Commercial Saving Account (Instant Access Account), Redwood Bank (95 Day Notice Account), Unity Trust (Current

Account and Instant Access), Hampshire Trust Bank, Public Sector Deposit Fund.

Ideally, the combined total of current account balances should not exceed £120,000 per UK-authorised firm, the maximum currently covered by the Financial Services Compensation Scheme (at any one time – effective 1 December 2025).

Any funds above the maximum covered by the Financial Services Compensation Scheme will be placed with other UK banks or building societies.
The remainder of funds held will be invested to ensure maximisation of maximise interest received whilst retaining flexibility of cashflow and minimising risk to capital. As a principle, funds will be distributed between a number of organisations, to minimise any loss in the event of failure of a single institution.
For the prudent management of its balances, maintaining sufficient levels of security and liquidity, the council will use:

- UK banks and UK building societies
- Public Bodies (including Local Authorities and Police Authorities)
- The debt management agency of HM Government.

The term of any deposit will not exceed twelve months unless it is clear that the funds will not be required for a specific, longer period. The RFO will ensure that funds are invested so as not to compromise liquidity.
Preference will be given to funds which can demonstrate ethical investment.
The process for agreeing investments with new institutions will be that a recommendation will be brought by the RFO to either the Policy and Resources Committee or Full Council for approval.

Risk Assessment

The council will only invest in institutions of "high credit quality" as set out in the Investment Strategy section of this policy. Investments will be spread over different providers where appropriate to minimise risk.

The council will have regards for the general economic and political environment in which institutions operate.

Reporting and Review

The Investment Policy will be reviewed annually by the Policy & Resources Committee.
The RFO will produce an annual report on investment forecasts for the coming financial year for consideration when the budget is being set.
At the end of the financial year, the RFO will report on the investment activity to the Policy & Resources Committee prior to circulation to Full Council.
The Policy & Resources Committee reserves the right to make variations to the Investment Policy at any time. Such amendments will be reported to full council at the earliest opportunity. Any variations will be made available to the public.

Freedom of Information

In accordance with the Freedom of Information Act 200 this document will be posted on the council's website: https://thurstonparishcouncil.uk/pc/ and is also available by contacting Thurston Parish Council, Parish Council Offices, New Green Centre, Thurston, IP31 3TG. Telephone: 01359 223854 or email: info@thurstonparishcouncil.gov.uk