

Agenda item 5

For approval - Financial update to 28 February 2023

For decision - Future investment options

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Summary

This report provides an update on the finances of the Town Council for 11 months April 2022 to February 2023. It includes the Income & Expenditure and Balance Sheet reports to 28 February 2023, a list of spending on items over £500 (February 2023) and a variances report providing narrative on the over and under spends in the year to date.

It also proposes to explore alternative investment options.

We will endeavour to answer any questions at the meeting but if you require any specific information, please let us know beforehand at swilliams@frometowncouncil.gov.uk and hpaniccia@frometowncouncil.gov.uk

Reports:

[Income and expenditure - Appendix 5.1](#)

[Payments over £500 - Appendix 5.2](#)

[The Balance Sheet - Appendix 5.3](#)

[Variances report – Appendix 5.4](#)

Variances report – to 28 February 2023 (92% of year)

There are over and underspends in the year and detailed narrative is provided in the [Variances report at Appendix 5.4 which can be viewed on the website here](#). The overall outcome will be a budget surplus for the year of £85k (3.94% of the budget) and £39k of this has been approved by Cllrs for income subsidy in 2023/34. The amount of General Reserves estimated for the start of the 2023/24 financial year is £256k.

ASSET DISPOSAL IN YEAR

Mark Branson, Town Ranger has completed the stock check for the Rangers tools, equipment, play park and town assets owned by Frome Town Council. As per our Financial Regulations we require Councillors approval to dispose of assets valued over £500. We are asking for Councillors ratification for disposal of the following assets.

Asset code	Asset description	Purchase date	Asset value	Reason for disposal	Disposal date
CCTV001	CCTV Camera purchased and donated to Avon and	30/03/2022	£3,930.00	This asset was purchased as a donation to the Police as requested by them. We used	27/04/2023 (this was the date the Police collected the asset from the supplier)

	Somerset Police			the underspend of the agreed CCTV budget in 2021/22 as there was no agreement in place with Mendip District Council for that year.	
PLAY001	Seesaw at Welshmill Play Park	16/04/2014	£4,907.33	Removed for safety reasons due to excessive movement and worn out.	31/05/2022
PLAY011	Full-size football goal at Egford Lane Play Area	26/05/2021	Valued at £1 due to being part of the land transfer. However, the asset is insured at £750.00	Removed as part of the redesigning of the Egford Park Play Area. The only way to remove the goal was to break it so it was not reusable.	31/10/2022

Recommendations

Approve the:

1. Income and expenditure report to 28 February 2023
2. Variances report April 2022 to February 2023
3. Payments made over £500 for February 2023
4. Balance sheet report including the breakdown of reserves at 28 February 2023
5. Asset Register report for year to February 2023

INVESTMENTS –

[FTC's Financial Regulations](#) state that (p5)

All Investments must be made prudently and, wherever possible, adhere to the Council's ethical decision-making policy (Appendix 1) with full recognition of the Council's corporate social responsibility, with regard to the priority for security and liquidity of those investments.

As part of our research to move our reserves to more ethical banks, we have recently reviewed our £400k investment with Charities Churches & Local Authorities (CCLA). Our investment with CCLA is in their Public Sector Deposit Fund and on their February 2023 factsheet their top 10 investment exposures (by %) were listed as follows:

- 9.4% Landesbank Baden-Wuerttemberg
- 9.4% Nationwide Building Society
- 9.4% Yorkshire Building Society
- 7.4% Royal Bank of Canada

- 6.7% DBS Bank Limited
- 3.0% ABN Amro Bank N.V.
- 3.0% Barclays Bank plc
- 3.0% Citibank N.A.
- 3.0% Credit Agricole Corporate and Investment Bank
- 3.0% Danske Bank AS

Some Cllrs may think that investing in some or all of these organisations might not be considered ethical.

The statement for the month of February 2023 shows a (reinvested) dividend of £1,235 (a return of approximately 3.9%. This rate varies from month to month. This dividend was earned on the February balance of £407,153.36, making our total investment starting in March 2023 of £408,388.51.

FTC's Financial Regulations currently include little reference to risk on investments. With investments, the risk is that the capital sum may reduce in value as well as increase. The CCLA investment is designated as a AAA+ (low risk) investment. It is generally accepted that investments tend to have higher returns than savings while carrying a variable assessment of risk.

SAVINGS

In addition to the investment with CCLA, FTC also holds savings accounts with four banks. These are listed in the table below. With savings accounts, as a rule, deposited funds remain secure with interest (at a relatively low rate) accruing on the capital. As a local authority, we are *not* protected by the Financial Services Compensation Scheme (FSCS) as private companies or individuals may be. As a result, we spread our savings across a number of banks to reduce the risk as far as possible from an individual bank running into trouble.

Our existing savings and investments accounts are listed below with current interest rates obtained on 6 March 2023 and an example of the monthly return if £100,000 were held.

Bank name	Type	Current interest rate	Example - 1 mth interest on £100k
CCLA (Instant Access)	Investment	3.91% (6 March 2023)	£325.83
Charity Bank (100 Day)	Savings	2.27% (6 March 2023)	£189.17
Triodos Bank (90 Day)	Savings	1.95% (6 March 2023)	£163.50
Charity Bank (Instant Access)	Savings	1.72% (6 March 2023)	£143.33
Unity Trust (Instant Access)	Savings	1.60% (6 March 2023)	£133.33
Barclays (Instant Access)	Savings	0.60% (6 March 2023)	£50.00

Unity Trust Bank, Charity Bank and Triodos do not offer ISAs or investment options for businesses or organisations.

FTC is not able to confidently carry out investment research but if Councillors decide it would be prudent to review our investments, then we will obtain three quotes as per our Financial Regulations and commission independent financial advice.

There are four options for Councillors to consider:

1. Continue investing with the CCLA
2. Continue to invest in CCLA for the time being, accepting the investment exposures shown above along with the risk and seek independent financial advice on low risk more ethical investments. Return to Council with recommendations.
3. Take the investment out of CCLA immediately and lodge our other existing savings accounts and seek independent financial advice on low risk more ethical investment options. Return to Council with recommendations.
4. Stop investing altogether and place the funds into our other existing savings accounts.

Given our Financial Regulations and Cllrs reticence about dealing with Barclays Bank for example, the advice of the RFO is Option 2; to continue to invest in CCLA and explore more ethical but still low risk investment opportunities. If we divested from CCLA immediately, we would lose approximately £400 a month.

Conclusion

FTC remains financially sound with adequate funds and assets and in a good position for the start of the 2023/24 year.

Recommendation

6. Continue to invest in CCLA for the time being, accepting the investment exposures shown above along with the risk and seek independent financial advice on low risk more ethical investments. Return to Council with recommendations.