OAKHAM TOWN COUNCIL

INVESTMENT STRATEGY and BANK ACCOUNTS REPORT

Report to: Finance Committee (for recommendation to Full Council)
Meeting Date: 26th August 2026
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1. Purpose of the Report

The purpose of this report is to review the Town Council's existing banking arrangements, recommend the consolidation of the Council's day-to-day banking with Unity Trust Bank, and establish a more appropriate strategy for the management and investment of the Council's substantial cash balances.

The Council currently holds funds across five accounts with four banks:

- Lloyds Bank – Current Account
- HSBC – Current Account
- HSBC – Deposit Account
- Unity Trust Bank – Deposit Account
- The Cambridge Building Society – Council Saver / deposit account

The current arrangements result in a significant proportion of Council funds being held in current accounts which are primarily designed for transactional banking rather than the holding of substantial reserves.

The recommended approach is to:

1. Establish Unity Trust Bank as the Council's sole day-to-day current account provider.
2. Close the existing Lloyds current account.

3. Close the existing HSBC current account.
4. Close or transfer the existing HSBC deposit account, subject to the investment arrangements set out in this report.
5. Close the Cambridge Building Society account and open an account with Hampshire Trust Bank and transfer the funds into it.
6. Continue to use the existing Unity Trust deposit account.
7. Consider establishing a diversified portfolio of interest-bearing deposits and the CCLA Public Sector Deposit Fund for surplus funds.
8. Introduce clear segregation of duties whereby the Clerk / RFO administer and prepare payments, whilst payments require authorisation by two members of the Finance Committee.

The proposed arrangements are intended to improve financial control, reduce banking complexity, reduce counterparty concentration risk, drastically increase interest income and provide a clearer audit trail.

2. Current Banking Position

The Council's balances at 31 July 2026 are as follows:

Institution	**Account**	**Balance**
Lloyds Bank	Current Account	£284,694
HSBC	Current Account	£ 64,353
HSBC	Deposit Account	£315,514
Unity Trust Bank	Deposit Account	£ 201
The Cambridge Building Society	Council Saver	£ 60,000
Total		£724,762

The two current accounts alone contain:

£284,694 + £64,353 = £349,047

This represents approximately 48% of the Council's total cash balances and is a large risk to Council, as well as the funds not earning a return.

The HSBC current and deposit accounts together hold £379,867, representing approximately 52% of the Council's total cash balances, again a large risk to Council, as well as the funds not earning a return.

3. Assessment of the Existing Arrangements

The Council is not prohibited from having more than one current account. However, maintaining two current accounts in addition to separate deposit accounts is not considered necessary or desirable or best practice in the Council's circumstances.

The current structure creates a number of disadvantages.

3.1 Unnecessary banking complexity

Operating two current accounts creates additional:

- bank reconciliations;
- payment records;
- mandate arrangements;
- online banking users;
- opportunities for errors;
- opportunities for fraudulent activity;
- audit and internal control work; and
- administrative burden.

For a Council of this size, there is a strong case for one clearly designated operational current account, with surplus funds held separately in appropriate deposit or investment accounts.

3.2 Excessive funds held in current accounts

The Council currently holds £349,047 in current accounts.

A current account should primarily be used to meet immediate and short-term cash-flow requirements. Holding hundreds of thousands of pounds in transactional accounts is difficult to justify unless there is a specific, documented short-term expenditure requirement.

This is particularly important because current accounts generally pay little or no interest. Unity Trust Bank's current account, for example, pays no credit interest under its current tariff.

As an illustration, if £349,047 were earning approximately 3.8% rather than being held in a non-interest-bearing current account, the potential gross interest would be approximately £13,264 pa. Actual returns would depend on the products selected, rates available and the Council's cash-flow requirements. Unfortunately, Council have lost out on a considerable amount of interest revenue over the past years.

3.3 Concentration and counterparty risk

The Council is holding substantial sums with individual banking institutions.

Under the PRA's Depositor Protection Rules, deposits belonging to a public authority are excluded from FSCS (Financial Services Compensation Scheme) deposit protection unless the public authority is a “small local authority.” The current regulatory definition is a local authority with an annual budget of up to EUR 500,000. OTC budget is currently over this amount so would not be eligible for the protection. This may change if funds are spent on projects in this financial year, and the CIL monies are utilised.

If OTC becomes eligible for the FSCS protection, the current deposit protection limit is £120,000 per eligible depositor, per authorised bank or banking licence. Accounts within the same banking group are aggregated for this purpose.

Accordingly, even where the Council is eligible for FSCS protection, substantial amounts above £120,000 held with an individual banking licence may not be protected.

For example, the Council currently has £379,867 with HSBC across its current and deposit accounts. If eligible, only £120,000 would fall within the standard deposit protection limit, leaving approximately £259,867 above the standard protection limit. The same principle applies to the £284,694 held with Lloyds.

This does not mean that amounts above the FSCS limit are automatically unsafe. UK banking institutions are highly regulated. However, OTC should not unnecessarily expose public funds to a concentration of counterparty risk when diversification can be achieved relatively easily.

4. Recommended Banking Provider – Unity Trust Bank

It is recommended that Unity Trust Bank becomes the Council's principal and sole day-to-day current account provider. Council have made resolutions concerning bank accounts but they are all more than 6 months ago and I am recommending that Council revisit the topic using the information in this report and if agreed, the changes are made as soon as possible.

Unity Trust Bank has a specialist proposition for local councils and provides banking facilities designed for organisations operating in the public and third sectors. Its local council application material specifically caters for councils and requires appropriate information concerning the Council, its governing documents, bank mandate and authorised users.

Unity's banking arrangements also support different levels of internet banking authority, including separate payment submission and payment authorisation permissions. Its e-Payment service supports dual authority, whereby a transaction can require authorisation by two different users.

I recommend that any Clerk / Locum Clerk / RFO in post is given administration access to the accounts and the members of the Finance Committee are the signatories / authorisers.

This provides a much stronger governance structure than allowing one individual to initiate and authorise a payment. This also alleviates work from the councillors who are currently setting up the payments with the bank.

5. Proposed Unity Trust Bank Mandate

The following structure is recommended.

Administrators / Banking Officers

The following officers should be registered as administrators:

- Town Clerk
- Responsible Financial Officer (RFO)
- Any locum Clerk/RFO in post

Their authority should include:

- administration of the online banking system;
- maintenance of user access;
- preparation and submission of payments;
- management of standing orders and direct debits;
- account information and reporting;
- administering internal transfers;
- routine banking administration.

Even though the Clerk can be a signatory, my personal view is that they should not be.

Authorised Signatories

Members of the Finance Committee should be appointed as authorised payment signatories – as already agreed by Council with the exception of the Chairman.

The recommended payment rule is:

The Clerk/RFO prepare and submit a payment to the bank and then two members of the Finance Committee independently approve the payments before release.

This creates a clear segregation between:

Preparation → Submission → Independent Authorisation → Payment and is consistent with good public-sector financial control.

Unity's banking documentation allows individual users to be given different permissions, including viewing, submitting and authorising payments, making this separation practicable.

6. Proposed Account Structure

It is recommended that OTC move towards the following structure:

Account 1 – Unity Trust Bank Current Account

Purpose:

- day-to-day transactions;
- supplier payments;
- payroll;
- direct debits;
- standing orders;
- receipt of routine income;
- banking administration.

Only an appropriate operational balance should be maintained which is usually 3 months trading plus any large expenditure due out.

Account 2 – Instant Access / Emergency Reserve

A separate interest-bearing account should hold funds which may be required at short notice. I recommend using the existing Unity Trust Bank account for this purpose as funds can be transferred between the two accounts immediately as and when required.

Account 3 – Short-Term Notice / Fixed Deposits

Funds which are not required immediately should be placed into suitable short-term deposits, subject to the Council's investment limits and cashflow forecast.

Account 4 – CCLA Public Sector Deposit Fund

The Council should consider placing a proportion of its longer-term surplus cash into the CCLA Public Sector Deposit Fund, subject to the risks and considerations described below.

7. Closure of Lloyds and HSBC Current Accounts

Subject to Full Council approval, I recommend the transfer of all banking arrangements from Lloyds and HSBC to Unity Trust Bank.

The process to include:

1. Open/activate the Unity current account and complete the new mandate.
2. Establish the Clerk / RFO and any locum Clerk/RFO in post as administrators.
3. Establish Finance Committee members as payment signatories, except for the Chairman.
4. Implement dual authorisation.
5. Transfer direct debits and standing orders.
6. Transfer payroll arrangements.
7. Notify suppliers and regular payees of the new bank details.

8. Redirect routine income receipts.
9. Transfer the required balance from Lloyds and HSBC to Unity.
10. Retain the old accounts temporarily only for the purpose of clearing outstanding transactions.
11. Reconcile each old account fully.
12. Close the Lloyds current account.
13. Close the HSBC current account.
14. Transfer the HSBC deposit balance into the Council's approved investment/deposit portfolio.
15. Obtain written confirmation that the old accounts have been closed.

The Council should not close the old accounts until all outstanding cheques, direct debits, standing orders and other transactions have cleared.

NB: Unity Trust Bank can be asked to initiate a switch and that hopefully will include them closing the existing current account and automatically actioning 5 to 15 above. I recommend the HSBC account for this as we do not currently have access and that will solve this problem.

8. Investment Strategy

8.1 Purpose

The Council's investment strategy should apply to all surplus funds not required for immediate expenditure.

The Government's statutory guidance requires local authorities to prioritise:

1. security
2. liquidity
3. yield

in that order. The guidance applies to councils where investments exceed the relevant threshold and recommends an annual Investment Strategy approved by Full Council.

The Council's strategy should therefore not seek the highest possible interest rate at the expense of security or access to funds.

8.2 Investment Objectives

The Council's investment objectives should be:

Security - To protect public money and minimise the risk of loss of principal.

Liquidity - To ensure sufficient funds are available to meet all known and reasonably foreseeable expenditure.

Yield **-** To obtain a reasonable rate of return on surplus funds once security and liquidity requirements have been satisfied.

OTC should not undertake speculative investments, equities, cryptocurrencies, long-term property investments or other investments where capital loss would be inconsistent with the Council's responsibilities as a public body.

9. Proposed Investment Policy

I recommend OTC adopt the following principles:

<u>A. Current Account</u>

Only funds required for immediate operational purposes should be held in the current account.

<u>B. Immediate Access Funds</u>

A suitable proportion of reserves should remain immediately accessible. This should include the Council's emergency/contingency requirement and funds required for expenditure within approximately one month. I recommend the current Unity Trust Bank deposit account is used for this purpose.

<u>C. Notice Accounts</u>

Funds not required immediately to be placed in 30 to 90/95 day or similar notice accounts where the additional interest justifies the loss of immediate access. Once the revised 2026/27 budget has been agreed, the Clerk/RFO will have a better idea of how much this will amount to.

<u>D. Fixed-Term Deposits</u>

Fixed-term deposits may be used for funds which the Clerk/RFO can demonstrate will not be required during the relevant term.

No fixed-term investment should be entered into without consideration of the Council's projected cash flow.

<u>E. Diversification</u>

The Council should avoid placing a disproportionate amount of its cash with one banking institution. All the accounts suggested below are independent of each other.

10. FSCS Protection and Town Council Eligibility

The FSCS deposit protection limit increased from £85,000 to £120,000 on 1 December 2025. This applies to eligible deposits with UK-authorised banks, building societies and credit unions.

As stated above, under the PRA rules, a public authority's deposits are generally excluded from FSCS protection unless the organisation qualifies as a "small local authority" which is currently an annual budget of up to EUR 500,000.

Therefore, the Council's FSCS eligibility cannot be determined simply from the amount of money held in the bank. It depends primarily upon the Council's annual budget and the relevant regulatory definition.

11. Alternative Suitable Accounts

The following products have been identified as potentially suitable for consideration. Rates are indicative snapshots as available in August 2026 and are variable or subject to change.

Unity Trust Bank

Unity's current account is appropriate for the Council's operational banking because of its specialist public/third-sector proposition and dual-authorisation capability.

Unity's current tariff states that its business current account pays no credit interest, reinforcing the principle that the current account should only hold the operational float.

Unity's Instant Access Savings Account is currently advertised at approximately 1.96% AER, variable.

Recommendation: Use Unity for the operational current account, but do not use the current account as the main home for Council reserves.

Hampshire Trust Bank (HTB)

HTB provides savings accounts specifically available to organisations including councils.

As at August 2026, its published rates include approximately:

- 90 Day Notice Savings – 4.01% AER for the relevant current issue;

Rates are subject to change and the Council should confirm the precise rate at the time of investment.

HTB confirms that councils can apply for its relevant savings products and states that eligible deposits are protected by the FSCS up to £120,000, subject to the Council itself being eligible.

<u>Recommendation:</u> HTB should be considered for a portion of surplus funds. I recommend that the £60k held in Cambridge Building Society is transferred to HTB to benefit from the higher interest rate.

<u>Nationwide</u>

Nationwide's Business Savings products are available to councils, subject to eligibility criteria.

Its current published rates include:

- Instant Saver – 1.50% AER
- 35 Day Saver – 2.45% AER
- 95 Day Saver – 3.25% AER

Nationwide confirms that its business savings products are available to businesses and organisations with annual turnover below £10 million and that parish councils are included within its eligible organisation categories.

<u>Recommendation:</u> Nationwide provides a useful additional counterparty for diversification, although the current rates are less competitive than some alternatives.

<u>The Cambridge Building Society – Council Saver</u>

The Council already holds £60,000 with The Cambridge.

Its current Council Saver rate is 1.55% AER. The product is specifically available to Parish and Town Councils, has a minimum investment of £1,000 and permits up to £2.5 million to be held by council.

Withdrawals can normally be made up to twice per calendar month and are made by cheque.

<u>Recommendation:</u> The existing £60,000 should be reviewed and transferred to HTB. The account remains suitable for diversification and is specifically designed for councils, but its current rate is materially below the better available notice/deposit options. The Council should therefore retain it only if there is a strategic reason to do so.

12. CCLA Public Sector Deposit Fund

The CCLA Public Sector Deposit Fund (PSDF) is particularly relevant to the Council because it is specifically designed for public-sector investors.

The Fund is a short-term, low-volatility money market fund investing in diversified sterling deposits and money-market instruments. CCLA states that the Fund is principally targeted at public-sector investors and aims to provide income consistent with preservation of principal and liquidity.

The latest published yield as at 17 August 2026 was approximately:

- Class 2: 3.8159% AEY
- Class 3: 3.9194% AEY
- Class 4: 3.9194% AEY
- Class 5: 3.8159% AEY

The precise class applicable to the Council needs to confirmed with CCLA. CCLA is where most Council deposit long-term funds that they do not require access to for a while.

The Fund has daily dealing, with a dealing deadline of 11:30am, and is invested across a diversified portfolio of high-quality institutions.

Important distinction: The PSDF is not a bank deposit and is not covered by the FSCS deposit protection scheme. It is an investment fund. Its value is not guaranteed and there is a risk that the value could fall. This means that the Council should not treat the PSDF as simply another bank account. Nevertheless, its diversification, short-term nature and focus on high-quality money-market instruments make it a potentially appropriate component of the Council's treasury portfolio.

Recommendation: The Council should consider using the CCLA for a proportion of surplus funds which are not required for immediate expenditure, subject to Full Council approval and the Council's Investment Strategy. The proposed revised budget will need to be approved before we can consider whether funds can be deposited long-term, and when Council plan to carry out projects / use EMRs.

13. Suggested Initial Investment Allocation

An illustrative structure for the Council's £724,762 cash balance could be:

Destination	Indicative Amount	Purpose
Unity Trust Current account	£54,762	Day-to-day working capital
Unity Trust Instant Access account	£90,000	Immediate/emergency liquidity
CCLA Public Sector Deposit Fund	£200,000	Diversified short-term investment
Hampshire Trust Bank 95-day deposit	£250,000	Higher-yield short-term deposit
Nationwide 95-day deposit	£120,000	Counterparty diversification
Total	**£724,762**	

14. Recommendations to Full Council

It is recommended that Council:

1. Approves the transfer of the Council's principal day-to-day banking arrangements to a new Unity Trust Bank current account.
2. Approves the closure of the existing Lloyds Bank current account, subject to all outstanding transactions being cleared and the account being fully reconciled.
3. Approves the closure of the existing HSBC current account, subject to all outstanding transactions being cleared and the account being fully reconciled.
4. Approves the transfer of surplus funds currently held with HSBC into alternative approved deposit/investment arrangements in accordance with the Investment Strategy.
5. Approves the Clerk/RFO and any Locum Clerk/RFO in post being appointed as administrators and banking officers for the Unity Trust Bank current account.
6. Approves a requirement that two separate Finance Committee signatories must authorise every electronic payment.
7. Approves the principle that the Clerk/RFO may prepare and submit payments but shall not independently authorise payments.
8. Approves the Investment Strategy set out in this report, based on the principles of security, liquidity and yield.
9. Authorises the Clerk/RFO to place funds as detailed in 13. above.
10. Requires the Clerk/RFO to report at least quarterly to the Finance Committee on cash balances, interest earned, investment maturity dates, counterparty exposure and FSCS protection.
11. Requires the Investment Strategy to be reviewed annually by the Finance Committee and Full Council and whenever there is a material change in the Council's financial position or the regulatory environment.
12. That all Council policies such as the Financial Regulations are updated to include the changes stated within this investment strategy report.