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Meeting	Full Council
Date	25th February 2025
Report Title	Cashflows and Investments
Agenda Reference	12A
Author	Jodie Smart, Finance Officer and Deputy RFO

Officer's Recommendations:

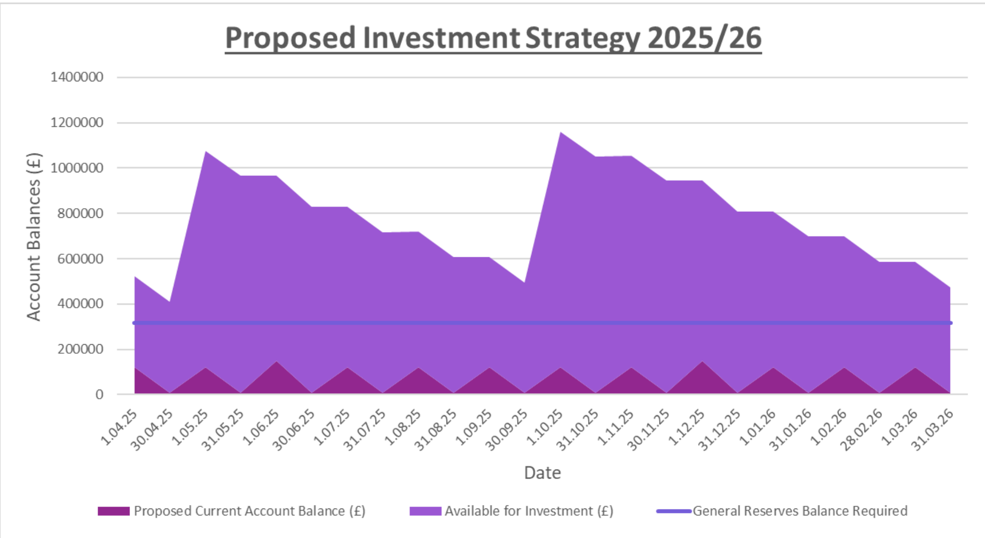
1. **To note the presentation from the relationship manager for CCLA**
2. **To approve the monthly transfer of funds as detailed below**
3. **To approve the amendments to the Investment Strategy and Financial Authorisations as detailed below**

Background
Now that the Grounds Maintenance Facility finances are nearing completion, the cashflows are less volatile and a review of the Council's investment strategy is required.

Haydon Wick Parish Council, as a larger council has relatively high income throughout the year as the precept is now well over £1m. As this income is received in two instalments and then used for expenditure in a reasonably linear fashion it is recommended that cashflows be predicted and used to invest the highest amount of cash to return a greater dividend over the course of the financial year.

Proposed Investment Strategy
Historically Council has maintained a CCLA investment account (yielding an average return of 5.18% over the past 12 months), two HSBC savings accounts and one HSBC current account. As interest rates are minimal in the HSBC savings accounts (averaging 1.95% over the past 12 months) it is recommended that these accounts be closed in favour of increasing the balance on the investment account.

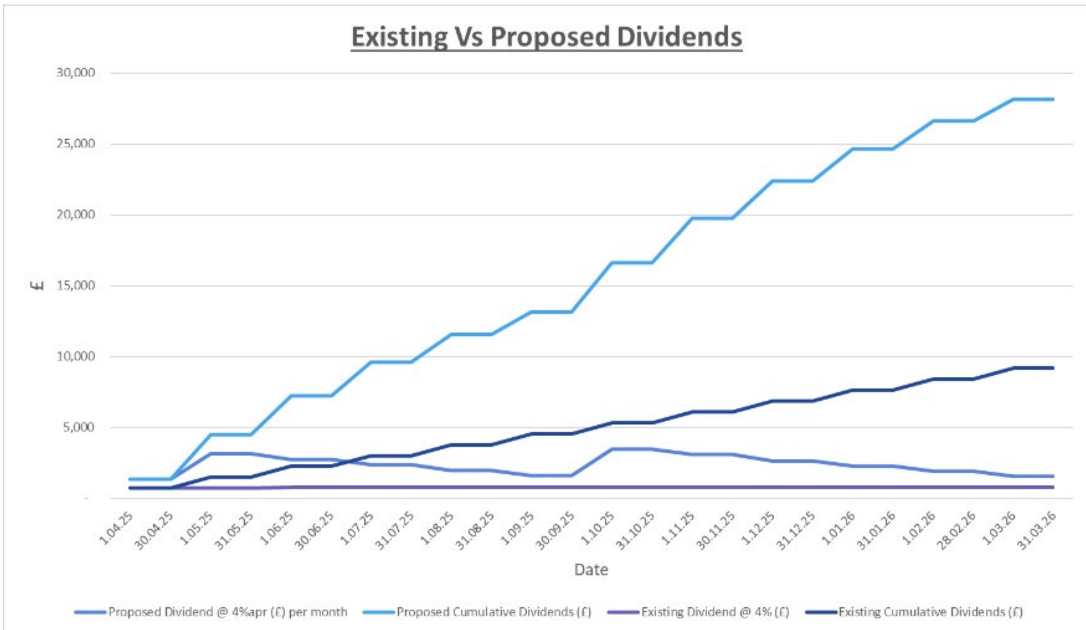
The Finance Officer and Deputy RFO has modelled the cashflow forecast for 2025/26 and calculated funds available to invest each calendar month as follows:



The strategy requires maintaining a current account balance of approximately £122,847 at the start of each calendar month (except for June and December when the public works loan payments are due) and provides the average cashflow required plus a £10,000 buffer. Please note, these figures have been used for illustration purposes only, it is highly recommended that the Accountant advises on the specific upcoming transfer requirement as part of the monthly procedures.

As you can see from the graph above, this strategy provides for higher levels of investment ranging from £399,077 to £1,040,369 throughout the financial year, whilst maintaining required cashflows for the normal operations of the Parish Council.

The dividend receipts have been forecast based on all available funds being invested, in comparison to maintaining the current levels of investment (around £220,000 static investment with only the monthly dividends being added to the balance), in a product yielding an average 4% pa return as follows:



As you can see, the proposed strategy is yielding £18,938 higher return than the current one (please note this is an illustration based on the base 2025/26 budget figures at December 2024 and using a nominal dividend yield of 4%).

Risk
As with any investment, there will be a risk of lower returns or losses on some products. By utilising CCLA's public sector deposit fund to invest in a diverse portfolio of financial instruments and industries, Council is effectively diversifying the risk to a mitigated level.

As detailed within the Council's investment strategy, investments should only be made in money market funds with a credit rating of A with Moody's Investors Service or BBB with Standard and Poor's or Fitch Ratings Ltd.

Security
As the Parish Council has a higher annual budget than the maximum £430,950, it is **excluded** from the FSCS guarantee for deposits of up to £85,000.

Liquidity
The CCLA's public sector deposit fund is 'instant access' cash funds and therefore highly liquid.

Financial Authorisations
In order to adopt the proposed strategy it will be necessary for the Chief Officer and another bank signatory (preferably the Chair) to make regular transfers between accounts which will need to be retrospectively approved at the next suitable meeting.

Use of Income
As the investment income is not guaranteed nor easily predicted due to fluctuations in yield throughout the financial year, which are beyond the Council's control, the 2025/26 budget includes a minimal income expectation of £12,000 per annum. Any income above this threshold could then be earmarked for capital projects and therefore minimise the impact on the next year's precept.