



Radyr & Morganstown Community Council Cyngor Cymuned Radur a Threforgan

Agenda Item 11

Meeting: Finance Committee

Date: 5 January 2023

Report Author: Clerk to the Council

Financial Assets held by the Council

Introduction

1. At a meeting held on 3 November 2022, Members identified actions in relation to the above as part of the Council's consideration of the need to protect the Council's position in relation to funds invested with the Unity Trust Bank should the bank encounter financial difficulties.

Key Issues (1)

2. This report updates Members on the current position, following enquires made by the Clerk and discussions with the Chair of the committee.
3. The Council holds three accounts with Unity. Details of current balances are reported elsewhere on the agenda for this meeting.
4. The Council's eligible deposits with Unity Trust Bank plc are protected by the Financial Services Compensation Scheme (FSCS), the UK's deposit guarantee scheme. The protected threshold is up to £85,000 for the Council's total funds. The Council's insurance policy would not cover any such loss.
5. Only £85,000 of the above would be covered by the Financial Services Compensation Scheme (FSCS).
6. Progress in relation to the actions identified by Members is set out below:

Other Financial Institutions (to OVW 29.11.22)	We are unable to provide advice on the most effective means of the Council investing its money. The key elements of making the choice relate to:
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<p>I have been asked to look at the options to spread our investment over more than one institution. At the moment we have 3 accounts with Unity. We are only protected under the FSCS scheme up to £85k though and we are looking at other options.</p> <p>Can you think of other institutions we could try? I know there is one who are regulars in the 'marketplace' at OVW events.</p>	<ul style="list-style-type: none"> • Security • Yield • Liquidity (ease of access). <p>The bank to which you are thinking of is probably the CCLA Bank (Website: www.ccla.co.uk) However, this is an investment bank and does not offer the £85k protection scheme.</p> <p>The other banks you might consider can be assessed by undertaking a Google search of the best community savings deposit accounts currently available – interest rates will vary depending on your choice of the notice period chosen to access funds. The key feature however is confirming that the Financial Services protection scheme is available.</p> <p>Regards,</p> <p>Paul R. Egan, One Voice Wales</p>
<p>Compensation/PWLB (to PWLB 29.11.22)</p> <p>I have been asked to make further enquiries in relation to the above.</p> <ol style="list-style-type: none"> 1. Please could you confirm that the FSCS only protects the Council up to a maximum of £85k (across all our accounts, not per account.) 2. Could you also provide details of current redemption figure and any penalty. 	<p>The FSCS limit is something you will have to discuss with your banking provider.</p> <p>(Details of the FSCS has been confirmed previously.)</p> <p>Borrowing from the PWLB allows local authorities to share in the preferential rates at which the government may borrow, although PWLB new loan interest rates include a margin to ensure that government on-lending is not made at a loss.</p> <p>When a loan is agreed with a local authority, it is funded by government borrowing in the gilt market over a matching period. However, whereas a local authority has the option to prematurely repay its loan, either in part or in full, a similar opportunity is not afforded to the government's borrowing and its matching loan must continue until the original maturity date.</p> <p>Therefore, when any PWLB loan is settled early, a calculation is made to compare current interest rates over the remainder of the original period of the loan and the rate of interest that it would have received had the original loan continued to maturity. Where the current interest rate is higher a discount is calculated and where the rate is lower a premium is calculated.</p>

	<p>Please see attached an estimate of early repayment for your loan which is eligible for premature repayment, using a hypothetical repayment date of 02 December 2022, and rates prevailing (PM) 12:30 30 November 2022.</p> <p>This has been calculated based on our latest interest rates, which are reviewed twice daily.</p> <p>If you wish to go ahead with your early repayment today, this estimate is only valid until 16:00 today, please let us know and if you wish to go ahead by 15:30, and we will send you a deal template for your completion.</p> <p>Past this timeline you will require an update estimate before early repayment can be considered.</p>
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Financial Implications

7. None at this stage. Any expenditure would come from approved resources or require approval.

Links to Corporate Objectives

8. The Council's Annual Report confirms that the Council's objectives include delivering:
A Prosperous Community. A Resilient Community. A Healthier Community.
A More Equal Community. A Cohesive Community. A Community of Vibrant Culture & Thriving Welsh Language. A Globally Responsive Community.
9. The issues described in this report will protect the Council's assets and thus help the Council deliver these Wales-wide sustainability goals and

Staffing Implications

10. N/A at this stage.

Risk Management Implications

11. Key risks relating to Council services etc. are addressed in the Risk Register.
12. Failure to protect funds in Council bank accounts in the event of Unity Trust Bank experiencing financial difficulties is highlighted as a key risk. Failure to meet Old Church Rooms loan repayments is also highlighted . the Register confirms that loan repayments will be monitored. Earmarked loan reserves are in place.

Legal Implications

13. The Council's eligible deposits with Unity Trust Bank plc are protected by the Financial Services Compensation Scheme (FSCS), the UK's deposit guarantee scheme. Details are in the link below <https://www.fscs.org.uk/what-we-cover/banks-building-societies>

14. The existing OCR loan has been taken out with the Public Works Loans Board. No additional approvals would be required to clear the loan.

Recommendation

15. It is **recommended** that Members consider the above information pending further, detailed discussion.