

## Investments review July 2022

The parish council has accounts with three banks – Lloyds, Natwest and HSBC:

Lloyds: Business Current, Business Reserve

Natwest: Business Current, Business Reserve

HSBC: Business Current, 2 x Money Market investment accounts.

At the time of setting up the savings and investment accounts, the interest may have made this worthwhile, but the interest received in recent years is very low - the previous financial year was a combined total £17.28. This benefit is far outweighed by the costs of administering the accounts, which involves:

- At least 30 mins for one phone call,
- Following branch closures - driving to Worcester for Natwest,
- New HSBC signatories attending the bank with proof of identity,
- NEW bank charges for HSBC £96 per annum.

There is a school of thought which recommends spreading your finances across accounts to remain under the £85,000 financial ombudsman protection threshold. This protection is “for when firms fail”. The risk of ever needing to use this compensation scheme when using the main banks is negligible. If you look at the Financial Services Compensation Scheme (FSCS) website the sorts of institutions which are failing are credit unions and wealth management firms – much smaller than the main banks.

<https://www.fscs.org.uk/making-a-claim/failed-firms/?page=1>

The council has online access with the Lloyds account. Although HSBC and Natwest offer internet banking it would not be practical to administer all these accounts online. Each bank requires different protocols and mechanisms for accessing the accounts and HSBC has a particularly robust annual audit which councils have to comply with - although not being a standard business customer the audit is not straightforward to complete - it takes many hours and phone calls.

If the council wishes to properly invest funds this would require a NEW project to fully explore the options available. Proper investments usually mean your money is not immediately accessible. Ultimately the council will spend much of the current savings on specific projects - and we are getting closer to being able to do that, so it may not be practical to tie up the funds in investments.

The recommendation is that the council closes the HSBC and Natwest current and savings accounts and moves the balances to the Lloyds accounts, with all reserves in the savings account and the current account for daily banking.

This will also streamline the quarterly and annual reporting and the audit reports and enable more frequent reporting of the account balances, if required, as recommended by the financial regulations.

If the council wishes to keep the HSBC and Natwest accounts at least one new signatory is required for each account.