

## Savings Options Report

### Background

As a Parish Council, there are several savings options to consider in order to effectively manage the finances and invest in the community's future. When choosing savings options, it's essential to consider factors such as liquidity needs, risk tolerance, and the specific financial goals of the parish council. Diversifying investments across multiple options can help mitigate risks and maximise returns over time. Additionally, it is imperative to comply with any regulations / guidelines governing the management of public funds.

Here are some common options:

1. **Current Accounts:** A dedicated bank account for the parish council where you can deposit funds and earn interest.
2. **Instant Access Savings account:** An instant access account usually gives a higher rate of interest with the option to withdraw money whenever it is needed. The interest rate is usually lower than a fixed term account which locks your money in.
3. **Fixed Term Savings account:** Fixed Term Savings accounts offer a fixed interest rate if you deposit money for a specified term, ranging from a few months to several years. They are low-risk investments but might offer a higher interest rate than an instant access account.

The Financial Services Compensation Scheme (FSCS) is a statutory fund established in the United Kingdom to protect customers of authorised financial services firms. Its primary purpose is to provide compensation to consumers if a financial services firm is unable, or likely to be unable, to pay claims against it. The current compensation limit for deposits in banks, building societies, and credit unions is £85,000 per person, per authorised firm. This limit applies per financial institution, meaning if you have accounts with multiple institutions, each account may be covered up to £85,000. This needs to be considered when looking into how much is deposited into each account.

### Recommendation

Taking into account the projects Council has planned, and also the FSCS limit of £85,000 it is recommended to split the money between instant access accounts and a fixed term savings account as follows:

**Instant Access Account** (Currently open with Unity bank)

*£75,000 – Current interest rate (Variable) 2.75% gross*

**Fixed Term Savings Account options**Redwood Bank

35 day interest	Interest rate 3.75% Annually	
95 day interest	Interest rate 4.30% Annually (Recommended)	£85,000
1 year bond	Interest rate 4.80% Annually	
2 year bond	Interest rate 4.85% Annually	

Charity Bank

Ethical 1 year fixed	Interest rate 4.51% Annually (Recommended)	£85,000
Ethical 3 year fixed	Interest rate 4.26% Annually	

If the recommendations above are followed this gives a predicted overview of the accounts based on Council finances as of 14<sup>th</sup> February 2024.

<b>Financial Institution</b>	<b>Type of Account</b>	<b>Balance</b>
Unity Bank	Current Account	£ 11,549.15
Unity Bank	Instant Access Savings	£112,421.86
Mansfield BS	Community fund	£3,682.70
Mansfield BS	Deposit Account	£181,148.80
Redwood Bank	95 day interest	£ 85,000
Charity Bank	1 year fixed	£ 85,000
	<b>TOTAL</b>	<b>£478,802.15</b>

Further movements could be made to capitalise on interest rates and give financial security once the Mansfield Building Society mandate update has been completed.