

**REPORT OF THE FINANCE & GENERAL PURPOSES COMMITTEE MEETING  
HELD ON 19 NOVEMBER 2024 IN OLD MILL HALL, GROVE**

**Present:** Cllr C T McCarthy (Chairman) Cllr K Jones  
Cllr S K Dexter (Vice Chairman) Cllr J Leggott  
Cllr W R Ackers Cllr D Rolfe

**In attendance:** Mr Kevin Rose (for item 3 only)

**Clerk:** Mr G M Mundy

**1 Apologies for absence**

Apologies for absence had been received from Parish Cllrs F D Parnell and J M Stock.

**2 Declarations of Interest**

No declarations were given at this time

**3 Discuss and consider an investment proposal prepared by Quilter Cheviot (Investment Management)**

Following introductions, Mr Kevin Rose explained that he is a qualified accountant and for the last 15 years has worked an internal auditor for various Town and Parish Council's.

Mr Rose said that in terms of the investment proposal from Quilter Cheviot, there are two things that the Council must understand; one is the legal framework for investments by local council's the other is the accounting arrangements.

The legal framework is in the form of a Statutory Guidance note from The Chartered Institute of Public Finance and Accountancy (CIPFA) and the guidance note is for local Council investments of over £100,000 and Councils have an investment strategy. He said the guidance specifies certain criteria in terms of the investment and that there are

- Security – protecting the capital sum invested from loss, and;
- Liquidity – ensuring the funds are available for expenditure when needed, and;
- Yield - Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with these priorities

He said that council's quite often look at investment criteria in the reverse order and look at Yield first, which completely goes against the guidance note. He added that councils must read the statutory guidance notes before committing. Mr Rose said that the strategy is quite broad and not very restrictive on what you can and can't invest in.

He said that the second matter is accounting arrangements and added that when a local council makes an investment over a period of 12 months, the council has to treat the investment as an expense and is recorded in the council's asset register and not as bank balance.

Mr Rose said that issues arise when councils realise the investment and receive income, the income is classed as Revenue Income and or Capital income. A form, of capital income is the proceeds of a disposable asset, so if you sell and Stocks and Shares the monies you receive cannot be used for revenue purposes (i.e. salary, on-going maintenance etc) and must only be spent on capital purchases (i.e. new equipment, play equipment etc).

He added that Dividends received during the course of the investment is classed as Revenue income and can be spent on salaries and on-going maintenance.

Mr Rose then spoke about the CCLA Property Fund who have a specific dispensation in that any funds invested with them are not classed as capital receipts. *Clerks Note: The Parish Council currently has £120,000 invested in the CCLA Property Fund.*

He said that in terms of the investment proposal the Council has received from Quilter Cheviot, it does not make specific reference to the statutory guidance for Town and Parish Council's and does not specifically mention Security, Liquidity and Yield.

Mr Rose added that CCLA also have a Public Sector Deposit Fund which a lot of Council's are using because it has next day liquidity. *Clerks Note: The Parish Council currently has £660,000 invested in the CCLA Public Sector Deposit Fund.*

He added that other Councils have invested in 'Bonds'. He said Bond investments return are not classed at capital receipts but as revenue income.

Mr Rose explained that other Councils have used Flagstone, which is a web-based portal whereby Flagstone provide a bank account, whereby you can only deposit and extract funds (you cannot pay bills from this account). From that account you can put money on deposit in a range of about 20 different banks on a 30 – 90-day scheme and at the end of individual scheme move the monies around into other accounts maximising interest rates.

There was a discussion around the table on the management of such a scheme, Mr Rose said that once the system is set up there is not much management required.

Mr Rose mentioned the Financial Services Compensation Scheme and said that there is a bit of confusion whether Council's are protected by this scheme. He said that Councils are protected up to £85,000 but is subject to Council's having a budget of half a million Euros or less (=£430,000). So, if your budget is greater than £430,000 you are not covered.

There being no further questions, the Chairman thanked Mr Rose for his advice and time. Mr Rose left the meeting.

There then followed a discussion and clarification regarding revenue and capital income; Revenue income is dividend receipts and interest and can be spent on anything, capital receipt would be on the realisation of shares etc excluding Bonds.

Members of the committee then discussed the pros and cons of the various schemes, following which various questions to Quilter Cheviot as follows:

- Town and Parish Councils are guided by the Statutory Guidance on Local Government Investments (issued by CIPFA) (copy attached), does this proposal take that guidance into consideration.
- Can you identify the Bond stocks for ease of reference.
- Do Quilter Cheviot offer any training for Town and Parish Councillors/Officers regarding investments.
- Dividends – at what point in the future can the Council re-assess, i.e. if investments were for the long term say 5 – 7 years, could the Council change the Dividend return mid-term.
- Can Quilter Cheviot detail any dealings have had in the past with Town and or Parish Councils, or other local authorities.

Following a further discussion, it was **MOVED** Cllr McCarthy **SECONDED** Cllr Dexter and **RESOLVED** five in favour and one against

**“that subject to the questions above being answered satisfactorily, it is recommended to Full Council, that Grove Parish Council invest £500,000 with Quilter Cheviot”**

**4 Confidential items**

Cllr Dexter informed the committee that the Clerk had received his annual appraisal.

The meeting closed at 8.45pm

Confirmed: 25 February 2025

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Chairman