

ATHERSTONE TOWN COUNCIL

Report to Full Council

Agenda item f) To consider the report on the Town Council's prospective ethical banking choices and to agree any associated actions.

Meeting	Full Council	Agenda item	f)
Subject	Prospective ethical banking choices	Purpose	Decision
Report date	June 2026	Responsible officer	Clerk / RFO

Recommended resolution

That the Town Council:

1. Notes the report and confirms that any deposit or investment decision must prioritise security, liquidity and then yield, in line with statutory investment guidance.
2. Confirms the previous decision to open a CCLA Public Sector Deposit Fund account and authorises officers to complete the onboarding requirements, subject to the Council's normal mandates and controls.
3. Agrees that the CCLA PSDF should be treated as the Council's primary short-term investment vehicle for surplus cash that is not required for immediate operational liquidity, subject to the Council's Investment Strategy and any cash limits set by Council.
4. Authorises the Clerk/RFO to obtain current rates, eligibility confirmation, account conditions and ethical/sustainability policies from Unity Trust Bank, Triodos Bank and the Co-operative Bank, and to report back if a second ethical deposit account is recommended.
5. Notes that Charity Bank and Ecology Building Society have strong ethical credentials, but that local authority eligibility and account suitability should be confirmed before they are treated as viable options.
6. Agrees that no new funds should be placed with any provider until due diligence has been completed and the placement is within the Council's approved Investment Strategy, counterparty limits and authorised signatory controls.

1. Executive summary

The Council has already agreed to open an account with the CCLA Public Sector Deposit Fund (PSDF). Members have also asked that other ethical banking options be considered. This report distinguishes between a short-term investment fund, operational banking, and fixed or notice deposit accounts, because each has different risks, access arrangements and governance implications.

The key conclusion is that the Council can proceed with CCLA PSDF as a suitable public sector cash management option, while also exploring one additional ethical deposit provider if Members wish to diversify. On the information reviewed, Unity Trust Bank appears to be the most immediately relevant ethical banking option for local councils because it specifically supports parish, town and community councils. Triodos and the Co-operative Bank may be relevant, but eligibility, account conditions and operational requirements need further confirmation. Charity Bank and Ecology Building Society have strong ethical credentials but may be less directly suited to a town council unless they confirm eligibility.

2. Background

The Council is holding public funds and must ensure that any investment or deposit arrangements are prudent, transparent and capable of being monitored. The Council has considered CCLA PSDF and resolved to open an account. Members have asked that other ethical banking or investment choices are also reviewed before any wider decisions are made.

This report is not financial advice. It is a governance and options report to assist Members in deciding what further actions should be taken. Rates, eligibility rules and account terms change frequently and should be confirmed directly with each provider before funds are moved.

3. Legal and governance context

The statutory guidance for local government investments states that, when making treasury management investments, authorities should consider security, liquidity and yield in that order of importance. Ethical considerations can be relevant, but they should not override the Council's fiduciary duty to protect public funds and ensure sufficient cash is available to meet liabilities.

In practical terms, the Council should apply the following hierarchy:

- Security - protection of principal, counterparty strength, diversification and whether the product is a deposit or an investment.
- Liquidity - whether funds can be accessed when required for payroll, invoices, projects, grants and reserves.
- Yield - the return achieved after considering risk, access restrictions, fees and administrative burden.
- Ethical alignment - whether the provider's lending and investment policies align with the Council's environmental, social and governance expectations.

Any decision should also be consistent with the Council's Financial Regulations, bank mandate, reserves policy and Investment Strategy. Where the Council has not recently reviewed its Investment Strategy, that review should be completed before any material placement is made.

4. CCLA Public Sector Deposit Fund

The CCLA PSDF is designed for public sector investors and is a short-term low volatility net asset value money market fund. It aims to maximise current income while preserving principal and liquidity, but it is not the same as a bank deposit. The investor bears the risk of loss and the capital value and income can go down as well as up.

CCLA states that the fund invests in a diversified portfolio of high-quality sterling deposits and instruments, with all investments at purchase having the highest short-term credit rating or an equivalent strong long-term rating. The fund's weighted average maturity will not exceed 60 days, and the fund does not invest in derivatives or other collective investment schemes.

From an ethical perspective, CCLA states that the fund is managed in line with its sustainability approach for cash funds. However, CCLA also states that the product does not have a UK sustainable investment label because it does not have a sustainability goal. Members should therefore treat CCLA PSDF as a prudent public sector liquidity fund with ESG integration, not as a dedicated ethical impact investment.

The May 2026 factsheet for one public sector share class reported an annual equivalent yield of approximately 3.9% as at 31 May 2026. This should be treated only as an indication of the current market position; rates fluctuate and past performance is not a reliable indicator of future results.

5. Ethical banking and deposit options

The market for local council banking is narrower than the market for personal or charity banking. Some ethical providers are focused on individuals, charities, clubs or companies and may not accept town councils. The table below is therefore an initial screening exercise rather than a final procurement recommendation.

Provider / route	Ethical position	Local council suitability	Access / liquidity	Initial view
CCLA Public Sector Deposit Fund	Public sector money market fund. ESG/sustainability approach for cash funds, but no UK sustainable investment label.	Designed for local authorities and public sector investors. Already agreed in principle by Council.	Daily dealing / cash management product, subject to fund terms and settlement arrangements.	Proceed with onboarding. Use as primary surplus cash vehicle, within agreed limits.
Unity Trust Bank	Independent ethical business bank focused on positive social, economic and environmental outcomes.	Strong fit. Unity specifically markets services to local councils and supports town, parish and community councils.	Current and savings/deposit options available. Specific rate and access terms to be confirmed.	Best candidate for a second ethical deposit relationship or operational banking review.
Triodos Bank	Sustainable bank focused on lending to organisations with positive social and environmental impact.	Potential fit as a UK-based organisation, but Council eligibility should be confirmed directly. New business savings customers require a minimum deposit of £50,000.	Business and charity deposit / fixed term products. Access depends on product selected.	Explore if Council wants a clearly values-led deposit provider and can meet minimum deposit requirements.

Provider / route	Ethical position	Local council suitability	Access / liquidity	Initial view
Co-operative Bank	Has a longstanding ethical policy and business savings products.	Potential fit, but savings accounts generally require a Co-operative Bank business bank account first. Public sector suitability needs checking.	Instant access and other business savings products may be available if eligible.	Possible option, but less straightforward unless Council also wants a wider banking relationship.
Charity Bank	Ethical bank focused on lending to charities, social enterprises and community organisations.	Uncertain. Products are primarily described for charities, trusts and clubs; local authority eligibility requires confirmation.	Easy access, notice and fixed rate products depending on customer type.	Keep under review; do not prioritise unless eligibility confirmed.
Ecology Building Society	Ethical building society focused on sustainable housing and environmental lending.	Uncertain for a town council. Its savings positioning is ethical, but account availability and local authority eligibility need confirmation.	Generally savings products with notice/access terms depending on product.	Possible ethical option but lower priority than Unity/Triadodos unless eligibility confirmed.

6. Due diligence criteria

Before funds are placed with any provider, the following checks should be completed and recorded:

- Provider eligibility - written confirmation that a town council can open and operate the account.
- Product type - clear distinction between a bank/building society deposit and an investment fund.
- Security - FCA/PRA authorisation where relevant, creditworthiness, independent ratings where available, and whether FSCS protection applies to the Council.
- Liquidity - access periods, notice periods, dealing cut-off times, settlement time and any early withdrawal restrictions.
- Yield and charges - current gross rate/yield, fees, minimum balances and whether rates are variable or fixed.
- Ethical alignment - published ethical policy, fossil fuel/arms/tobacco exclusions where relevant, climate commitments, social impact evidence and transparency of lending.
- Operational controls - dual authorisation, user access, mandate changes, audit trail, statements and compatibility with the Council's finance procedures.
- Diversification - whether balances should be split across more than one provider to manage counterparty and operational risk.

7. FSCS and public authority deposits

The FSCS deposit protection limit rose to 120,000 pounds from 1 December 2025 for eligible deposits with UK-authorised banks, building societies and credit unions. This does not automatically mean all council balances are protected. Eligibility can depend on the status and size of the authority and the nature of the account. The Council should not rely on FSCS protection unless eligibility has been checked and documented for the specific provider and account.

In any event, FSCS protection should not be used as a substitute for proper treasury management. Larger public balances should be managed through diversification, counterparty due diligence, agreed limits and regular reporting.

8. Options available to Council

Option	Description	Advantages	Disadvantages / risks	Officer view
1	Proceed with CCLA PSDF only.	Simple; already agreed; suitable public sector liquidity vehicle; daily cash management focus.	Less direct ethical identity than an ethical bank; capital at risk because it is a fund, not a deposit.	Recommended as the immediate step.
2	Proceed with CCLA and investigate Unity Trust as a second ethical deposit/current account provider.	Adds diversification; Unity is directly experienced with local councils; ethical/social purpose alignment.	Requires account opening work and comparison of rates/terms.	Recommended as the preferred next action.
3	Run a wider ethical banking review including Triodos, Co-operative Bank, Charity Bank and Ecology.	Provides broader evidence base and demonstrates Members considered ethical choices.	Some providers may not accept councils or may impose minimum balances/access restrictions.	Useful, but should not delay CCLA onboarding.

Option	Description	Advantages	Disadvantages / risks	Officer view
4	Take no further action.	No additional administration.	Missed opportunity to improve return, diversification and ethical alignment.	Not recommended.

9. Financial, risk and climate implications

Area	Implication
Financial	The Council may increase interest income on surplus balances, but must balance yield against security, liquidity and administrative burden. Rates must be checked immediately before any placement.
Legal / governance	The Council must comply with statutory guidance, its Financial Regulations, bank mandate, Investment Strategy and public law decision-making principles.
Risk	Main risks are counterparty failure, lack of liquidity, capital fluctuation in investment funds, inadequate mandate controls, and over-reliance on a single provider.
Climate / ethical	Using providers with transparent ethical and sustainability policies can support the Council's wider values, but ethical alignment should be evidenced and documented.
Equality	No direct equality impact has been identified from the recommended due diligence and account opening actions.

10. Conclusion

The Council has a clear and defensible route forward. It can continue with the CCLA PSDF decision for short-term surplus cash management while also undertaking proportionate due diligence on ethical deposit providers. The strongest immediate alternative appears to be Unity Trust Bank because it is already positioned toward local councils. Triodos and the Co-operative Bank merit further enquiry, while Charity Bank and Ecology Building Society should only be considered if eligibility is confirmed.

The recommended approach gives Members an ethical banking workstream without delaying the practical implementation of the CCLA PSDF decision already made by Council.

Appendix A - Source notes used in preparing this report

The following public source notes were used to prepare the report. Officers should re-check provider websites immediately before opening any account or transferring funds.

Source area	Relevance
DLUHC / MHCLG statutory investment guidance	Guidance on local government investments, revised edition from 2018, including the priority order of security, liquidity and yield.
CCLA Public Sector Deposit Fund	Fund overview, factsheet and sustainability disclosure. The fund is described as a short-term LVNAV money market fund for public sector investors and not a bank deposit.
Unity Trust Bank	Local councils sector page and business banking information. Unity states that it supports town, parish and community councils and provides accounts/deposit solutions.
Triodos Bank	Business and Charity Deposit Account information. Triodos states that eligible new business savings customers must be UK-based organisations with a minimum 50,000 pound deposit and meet its business account eligibility criteria.
Co-operative Bank	Business savings account information. The bank states that a Co-operative Bank business bank account is required before applying for business savings.
Charity Bank	Savings information for charities, trusts and clubs; ethical savings focus; local authority eligibility to be confirmed.
Ecology Building Society	Ethical savings and lending information; local authority eligibility to be confirmed.
FSCS / PRA	Deposit protection limit increased to 120,000 pounds from 1 December 2025 for eligible deposits. Eligibility for councils should be confirmed before reliance is placed on the protection.

Note: This report should be read alongside the Council's Financial Regulations, bank mandate, reserves policy and Investment Strategy. It does not constitute regulated financial advice.