

AMENDMENT TO LOCAL AUTHORITY INVESTMENT CRITERIA

REPORT OF: Stephen Fitzgerald, Interim Head of Corporate Resources
Email: pamela.coppelman@adur-worthing.gov.uk Tel: 01903 221236
Wards Affected: All
Key Decision No
Date of Meeting 20 September 2022

Purpose of the Report

1. Recommendation to strengthen the investment criteria for placing investments with other Local Authorities

Summary

2. Due to the current difficult economic situation, in order to safeguard the Council's investment funds, it is recommended that the criteria for placing investments with other Local Authorities are strengthened to exclude any which are subject to interventions from the Government such as Directions from the Secretary of State.

Recommendations

3. **The Committee is requested to note the contents of the report.**
-

Background

4. The Treasury Management function of this Council has been provided by Adur and Worthing Councils as a shared service since October 2010. This has enabled the cost of the service to be reduced whilst giving access to specialist advice and the administration skills of a larger authority. The SLA was extended for a further three years from 18th October 2019.
5. The 2022-23 Treasury Management Strategy Statement approved by Mid Sussex District Council did not place any specific restrictions on the selection of Local Authorities with which the Council could place fixed term deposits. This is the same approach as taken by both Adur and Worthing Councils and many others.

Policy Context

6. The current difficult economic situation has had a severe impact on the majority of Councils, but some are less well placed to manage the additional pressures caused by rising interest rates and general inflationary increases in wages, utilities and other costs. Consequently there have been some recent interventions by Government in the finances of the most badly affected Councils.
7. The advisors to the shared treasury service are still confident that there should not be an issue with the repayment of loans from other Local Authorities, citing the Local Government Act 2003, which states that a person lending money to a Local Authority shall not be bound to enquire whether the Authority has the power to borrow the money and shall not be prejudiced by the absence of any such power. There is specific regulation on loans to Local

Authorities which makes clear that all loans are secured on future revenues and this includes the ability to take legal action if any debts are not repaid.

8. The Government's approach to struggling councils has been to appoint commissioners or another Local Authority to give support. Permission has also been given to use, for revenue purposes, funds which would otherwise be treated as capital.
9. Consequently, although Mid Sussex does have funds invested with a council that is subject to an intervention, there is no expectation of default and the CIPFA Code of Practice on Local Authority Accounting, which governs statutory reporting, also makes it clear that a Local Authority is not expected to default and no expected loss should be provided in the accounts.
10. However, it is considered prudent to amend the counterparty investment criteria to exclude any Local Authority that is the subject of an intervention.

Other Options Considered

11. None

Financial Implications

12. This report has no quantifiable financial implications.

Risk Management Implications

13. This report recommends that the Council's investment risk is reduced through the addition of this qualification on investment counterparties.

Equality and Customer Service Implications

14. None

Background Papers

Treasury Management Strategy Statement & Annual Investment Strategy 2022/23 to 2024/25

The CIPFA code of Practice on Treasury Management (the code).

CIPFA Prudential code for Capital Finance in Local Authorities (the Prudential Code)

CIPFA Code of Practice on Local Authority Accounting

Local Government Act 2003