

Councils' action since the Icelandic crisis

As a result of the Icelandic problem, councils like Norfolk CC which had invested £32.5m in Icelandic banks, along with many other councils now only invest in UK institutions. Wigan MBC has increased the amount it can place in clearing banks as it has less confidence in other parts of the market.

Croydon LBC has relaxed its usual limits on how much can be put into an institution at any time to reflect that there are fewer safe places to invest. Whereas Aberdeen Council has reduced the amount it can place with any one bank from £10m to £5m

Croydon has also given greater delegated powers to its deputy chief executive and executive director of resources and customer services. If there is thought to be a major problem with an institution where the authority has an investment, they can get the money out nearly immediately instead of having to go through the usual committee procedures.

Aberdeenshire Council will only invest within the EU and Kingston upon Thames RBC only invest with AAA rated institutions. Kingston would also consider paying a premium to get its money out of an institution where the investment could be at risk.

In summary

Actions taken by councils to protect their money include:

Moratorium on international investments

Relaxed/tightening of limits on the amount which can be invested with any one institution

Investments in a wider range of institutions to spread risk

Move towards shorter investments including overnight deposits

Tightening of investment criteria to minimise risk

Extra power for officers to act quickly under delegated powers

Source LGA 30 October