MULBERRY
LOCAL AUTHORITY SERVICES LTD
Eastgate House
Dogflud Way, Farnham
Surrey, GU9 7UD
t 07428 647069
e andy@mulberrylas.co.uk
w www.mulberrylas.co.uk

Several Clerks/RFOs have raised with us in the last week or so details of correspondence received from their bank suggesting that as local authorities they are not covered by the Financial Services Compensation Scheme (FSCS). This has led to some understandable concern, and questions asking for clarity on the way the FSCS scheme works.

While the likelihood of a bank or building society failing remains low, councils are encouraged to mitigate the risk by maximising any protection available, and we are happy to provide the following to clarify the protection available through the FSCS.

Further information can be found on the FSCS website.

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The FSCS is a government backed depositor protection scheme designed to guarantee funds held with registered financial institutions such as banks and building societies. If the bank or building society fails, the FSCS will pay compensation of up to a maximum of **£85,000 per financial institution** for qualifying deposits.

To be covered by the FSCS, the bank or building society must be authorised by the Prudential Regulatory Authority (PRA). A PRA authorised bank or building society may use several brands. This means that anyone who has deposits in more than one account under a single brand, or multiple accounts under different brands operated under a single PRA authorisation, is only protected up to a total of £85,000 across all these accounts.

For example, Clydesdale Bank, Virgin Money and Yorkshire Bank share the same PRA authorisation.

The Bank of England website contains a list of all bank and building society brands and their PRA authorisation details and is updated periodically. The most recent listings are included in the links below and it is recommended to check that your existing bank and building society accounts are held under separate PRA authorisations.

Banking Brands - PRA licensing Feb 2024

Building Society Brands - PRA licensing Feb 2024

The FSCS rules define some deposits which are not protected under the scheme, including those made by a local authority ***unless it is a small local authority.***

The FSCS defines ***a small local authority as one with an annual budget of up to €500,000*** (five hundred thousand euros) equivalent to approximately £425,000 as of June 2024.

If your council holds funds with National Savings & Investments (NS&I), that is covered by a separate government guarantee through HM Treasury, which guarantees 100% of everything invested.

If your council holds funds with CCLA (Churches, Charities and Local Authorities), this is regulated under different rules through the Financial Conduct Authority (FCA) and is not covered by the FSCS depositor protection scheme.

In summary, **you are fully covered by the FSCS depositor protection guarantee if**:

- Your council holds no more than £85,000 with any individually PRA authorised bank or building society

  **and**

- Your annual budget (higher of either income/receipts or expenditure/payments) is no more than €500,000 (approximately £425,000)

If you meet the budget threshold but have more than £85,000 in any individually PRA authorised bank or building society, the amount above £85,000 is not covered if the bank or building society fails, and your council should consider moving funds to a different PRA authorised bank or building society to mitigate the risk.

If your annual budget exceeds €500,000 (approximately £425,000), then you receive no protection under the FSCS regardless of the balance held on the account. It would still be prudent to spread the risk by using a range of providers, but the £85,000 threshold is no longer relevant.

We hope this helps clarify the position.

If you have any questions, please contact any of the internal audit team at Mulberry Local Authority Services Ltd or me directly at andy@mulberrylas.co.uk or on 07428 647069.