

17 June 2024

## Financial Services Compensation Scheme

At least one bank has written to parish councils saying that it believes that they are no longer covered by the Financial Services Compensation Scheme (FSCS). This seems to be a mistake, as the FSCS standard conditions have not changed and still say: “FSCS does not protect deposits made by a public authority (including a parish council), unless it is a small local authority with an annual budget of up to EUR500,000” (about £430,950 using the required 3 July 2023 exchange rate).

Not all deposits are covered by the FSCS. For example, Gilts are backed by the UK government, while money market funds spread their risk by placing deposits with many different banks to minimise the impact of one bank failing. Non-UK bank deposits are generally covered under a reciprocal agreement with their own country.

The Prudential Regulation Authority (PRA) Rulebook says:

“A firm, must at least annually, take reasonable steps to confirm that a depositor that it has classified as a small local authority continues to be a small local authority, using the exchange rate prevailing on the 3 July immediately preceding the date on which any confirmation is undertaken”.

[Depositor Protection | Prudential Regulation Authority Handbook & Rulebook](#)

The PRA has also advised that “it is acceptable for firms to rely upon a reasonable estimate provided by the local authority of its annual budget, which could for example be based on the previous year’s budget. The PRA expects a firm to take reasonable steps to ascertain a local authority’s budget, but where a firm has been unable to determine if a local authority is eligible, it should be treated as a public authority” (i.e. no cover).

[ss1815-june-2023.pdf \(bankofengland.co.uk\)](#)

The scheme doesn’t define “annual budget” but if a council is receiving and spending sizeable CIL receipts, we would expect to see that included. Councils should ensure that they publish their budget online (in accordance with their publication scheme).

### **Disclaimer**

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