
STATUTORY INSTRUMENTS

1996 No. 1883

**The Local Authorities (Contracting Out
of Investment Functions) Order 1996**

PART II

Investments: contracting out

Interpretation of Part

2. In this Part —

“the 1988 Act” means the Local Government Finance Act 1988;(1)

“the 1989 Act” means the Local Government and Housing Act 1989;(2)

“authority” means a local authority or a parish or community council;

“local authority”—

- (a) in relation to England, means a county council, district council or London borough council, the Common Council of the City of London or the Council of the Isles of Scilly; and
- (b) in relation to Wales, means a county council or county borough council.

Contracting out of functions

3. The functions of an authority relating to the investment of money may, to the extent provided for in this Part and subject to the provisions of Part III of this Order, be exercised by, or by the employees of, such person (if any) as may be authorised to exercise them by the authority whose functions they are.

Scope of authorisation

4.—(1) In this article —

“approved investment” means any investment which is an approved investment for the purposes of Part IV of the 1989 Act(3) (revenue accounts and capital finance of local authorities);

“billing authority” has the same meaning as in section 144(2) of the 1988 Act (interpretation: authorities);(4)

“collection fund” means the fund mentioned in section 89(1) of the 1988 Act (collection funds) which a billing authority is required to maintain in accordance with Part VI of that Act (funds);

(1) 1988 c. 41.

(2) 1989 c. 42.

(3) See the Local Authorities (Capital Finance) (Approved Investments) Regulations 1990 (S.I. 1990/426, amended by S.I. 1991/501, S.I. 1992/1353, S.I. 1995/850, S.I. 1995/1041, S.I. 1995/1982 and S.I. 1996/568).

(4) Section 144(2), which was substituted by paragraph 81(1) of Schedule 13 to the Local Government Finance Act 1992, provides that “billing authority” has the same meaning as in Part I of the 1992 Act.

“prescribed investment” means an investment prescribed in Schedule 3 to the Local Authorities (Funds) (England) Regulations 1992;⁽⁵⁾ and

“securities” includes shares, stock and debentures.

(2) A local authority may authorise a contractor to exercise any functions consisting of, or relating to, the investment in an approved investment of any sum for the time being held by the authority, apart from any sum which —

- (a) a contractor may be authorised by a billing authority to invest in a prescribed investment by virtue of paragraph (3) below;
- (b) is held by the authority on trust for any beneficiaries or any purposes; or
- (c) in whole or in part, forms a fund which is a pension fund within the meaning of regulation L1. of the Local Government Pension Scheme Regulations 1995⁽⁶⁾ (continuation of existing superannuation funds).

(3) A local authority in England which is a billing authority may authorise a contractor to exercise any functions consisting of, or relating to, the investment in a prescribed investment of —

- (a) any sum paid into their collection fund which is not immediately required for the purpose of making payments or transfers from that fund; or
- (b) any sum which is transferred from their collection fund to their general fund.

(4) A parish or community council may authorise a contractor to exercise any functions consisting of, or relating to, the investment in securities of any sum for the time being held by the council, apart from any sum which is held on trust for any beneficiaries or any purposes.

Investment functions

5. For the purposes of article 4, the functions of an authority which consist of, or relate to the investment of any sum (“the investment”) include the functions of —

- (a) deciding the manner in which the sum concerned is for the time being to be invested, and the identity of any bank, building society or other person or body with or in whom the investment is to be made;
- (b) entering into a contract in the course of making, disposing of, or otherwise dealing with, the investment;
- (c) reaching agreement as to the terms and conditions of the investment, including any requirements in relation to any consideration in respect of the investment, or in relation to the repayment or redemption of the investment;
- (d) deciding the manner of disposal of the investment, and the time when, and terms and conditions on which, the disposal of the investment is to be undertaken;
- (e) deciding, in making any decision relating to the investment, on the need for diversification of all investments made, or to be made, by the authority;
- (f) preparing and having custody of any documents relating to the investment; and
- (g) making and recording any payments required to be made in making the investment, and receiving and recording sums falling due to the authority under the investment, or on the repayment, redemption or disposal of, the investment.

⁽⁵⁾ S.I. 1992/2428.

⁽⁶⁾ S.I. 1995/1019, to which there are amendments not relevant to this Order.