

Midlothian Council's investment decision in 'bankrupt council' to be investigated

by Marie Sharp Local Democracy Reporter

A decision by Midlothian Council to invest £13million in a local authority which has been described as "bankrupt" is being investigated by external auditors.

Concerns over the multi-million-pound loan to Croydon Council, which has declared a deficit of £67million, were raised by the council's audit committee last week.

And a meeting of full council has been told that external auditors Ernst and Young were carrying out a "wide-scope review" of its treasury management policy following questions raised about the investment.

However, a call by Provost Peter Smaill for a suspension of investments while a review of the advice used by the council in making its decision had reported back was rejected at a virtual meeting of the council, as it was agreed instead to carry on while awaiting the outcome.

Councillor Russell Imrie told the meeting that "there is

nothing askew at the moment” to support stopping investments ahead of the review’s findings.

The full council meeting was presented with a report on the investment in Croydon Council after the audit committee instructed officers to bring it to councillors following its meeting last week.

Croydon Council has issued two section 114 notices declaring it cannot pay its debts, estimated at £67million.

Mr Smaill called for an explanation of why the money was invested when the council’s policy was only to put money in “low-risk investments”.

He said that Croydon Council had, by issuing the section 114 orders, effectively declared itself bankrupt, telling the council meeting : “It is the biggest collapse of any local authority in my lifetime.”

The use of the term “bankrupt”, however, was objected to by some councillors, with Councillor John Hackett accusing Mr Smaill, the council provost, of politicising the issue after his Conservative group then issued a statement pointing out that Midlothian Council’s Labour administration had made the investment in Croydon – a Labour-run council.

He said: “I am truly appalled at how you have politicised this, using it as an opportunity to attack the Labour Party.”

This led Mr Smaill to point out that he and fellow members of the audit committee had been criticised on the local authority’s own website following the meeting by council leader Derek Milligan for the language used while raising their concerns about Croydon.

Mr Smaill said of the comments, which have since been taken down, “it is highly inappropriate for the council to put on its website an attack on members of the audit committee”.

Mr Hackett said that councillors had faced questions from members of the public after the investment into Croydon was reported and called for more information to be published on the council website addressing how it invests its money.

He said: "I have questions about this investment as well, I think it is perfectly right councillors ask how we were advised and how we got into this position.

"The public is more aware of how council invests money, I think it is really important now that there is an increased interest we use it to educate people on how it works.

"There is a perception that we have given £13million away. It is really important people understand this money is invested to come back as a return to benefit services to local residents."

The council agreed to send the report back to audit committee along with the findings of the Ernst and Young review and hold a briefing with treasury management for all members ahead of the meeting.