

Further to recent press coverage, I can confirm that WMCA loaned Woking Borough Council a total of £15m earlier this year, in 3 tranches of £5m. Whilst the transactions occurred following the issuing of a Section 114 notice, these short-term loans were agreed in a legally binding way before the Council announced a Section 114 notice on 7 June 2023. At the time the deal was arranged, whilst there was press coverage of Woking BC's financial difficulties prior to the announcement of the Section 114 notice, there was no legal or policy reason for us not to proceed.

Woking BC's Section 114 notice confirms it is not able to set a balanced budget because the size of its current debt portfolio is out of step with its core spending power although the Council continues to operate. The Section 114 notice does not refer specifically to the liquidity of a Local Authority or its ability to repay debts. Woking BC's Interim Director of Finance (Section 151 Officer) has confirmed in writing that the Council's treasury operations are continuing as normal and they have repaid and refinanced several maturing loans since their Section 114 Notice was issued on 7 June.

These loans were part of normal treasury management operations and do not represent surplus funding available for the region. We make loans to many different financial institutions including the government's Debt Management Office, other local authorities and banks and in doing so, prioritise security then liquidity then yield as standard practice. In this instance, WMCA were simply placing available, liquid resources with a counterparty that met the criteria within our approved Treasury Management Strategy in line with best practice cash management principles. We are not aware of any local authority ever defaulting on a trade of this kind. However, as the Council has now issued a Section 114 notice, we will not make any further loans to them and we have reviewed our practices in light of the increasing number of Local Authorities issuing Section 114 notices to further reduce any exposure.

Whilst I am confident that no changes are required to our Treasury Management Strategy that was approved by the Board in February as a result, I have taken the decision to limit our exposure to forward treasury deals, reflecting the current economic climate and the growing number of councils signaling that they are experiencing financial difficulties.

Linda Horne
Executive Director of the Finance and Business Hub
