

Report of the Cabinet Member for Finance

I have been asked to report as follows for Full Council on 7 December 2023:

1. By Councillor Biederman as follows:

Could the Cabinet Member for finance report on Devon County Council Policy for loaning other Local Authorities Money and what the process is for deciding to make the loan or not.

Response

The Council's investment policy is laid out in the Treasury Management Strategy approved each year along with the budget. The Council lends money to banks, building societies and other local authorities in order to obtain an investment return on its available cash balances. These cash balances are essentially positive cashflow where money has been received but is not immediately required.

The Treasury Management Strategy sets limits for the total amount that can be lent to an individual bank or building society or to an individual local authority. The maximum for an individual county, unitary or metropolitan council or a London borough is £10 million. The maximum for a lower tier district authority and Scottish and Welsh authorities is £5 million.

Inter local authority lending is a common practice. After the global financial crisis of 2009/10, it was seen as safer to lend to another local authority than to lend to a bank. Banks can go bust, local authorities can't. No local authority has ever defaulted on a loan, and there is no reason to expect that Woking are likely to default on the loan we have to them.

The loan to Woking Borough Council is for £5m which is in line with the county councils counter parties approved listing. The loan is due to be repaid on 13th March 2024 for which we will receive £222,500 in interest. This is an interest rate of 4.45% which was comparable to other 12 month deals at the time the loan was agreed (February 2023) and more favourable than the overnight rate at that time of 3.87%.

Officers do exercise judgement when considering loans to other local authorities. In Woking's case, the loan had been agreed in advance via brokers on February 17, well before the full extent of their financial difficulties became clear, and all the correct governance procedures were followed.

The investment of cash balances is an important source of income to support services across the authority including the young and vulnerable – interest receipts are expected to reach almost £8 million in the current year.

**Phil Twiss
Cabinet Member for Finance**