EPSOM & EWELL TIMES
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ISSN 2753-2771

EPSOM & EWELL TIMES

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Epsom and Ewell not stung by this Surrey debt scandal

28 September 2022

Three Surrey councils are owed a total of £30million by a council which has seen the government intervene in its borrowing problems. The government announced this month that after “serious concerns about the financial management” at Thurrock Council, neighbouring Essex County Council would be brought in to take control.

The Bureau of Investigative Journalism revealed a total of £138m of public money was unaccounted for, with questions raised over the Essex council’s borrowing and investment in 53 solar farms.

Three Surrey councils have loaned money to Thurrock Council, with **Waverley, Spelthorne and Guildford** borough councils each having invested £10m in the troubled council.

A Guildford spokesperson said lending between local authorities was a “common practice” and that the risk rating of the debt had not changed since the government’s intervention. Spelthorne and Guildford are both due to have the debt repaid in 2023, with Waverley’s money due to be paid back in January and March 2024, because it is two separate loans of £5m.

Essex County Council will take full control of Thurrock’s finances and has powers to see if there are failures elsewhere to mitigate any further risk to services. Guildford’s lead councillor for finance Cllr Tim Anderson (Residents for Guildford and Villages, Clandon & Horsley) said the authority had invested £10m with Thurrock Council from March 2022 until March 2023, at a rate of 1.35% per cent.

He confirmed the council had also loaned more than £40m to eight other local authorities, including £10m to the London Borough of Croydon, which issued a section 114 notice, effectively declaring itself bankrupt, in November 2020.

The other loans are £5m to Birmingham County Council, Derbyshire County Council, Somerset West & Taunton, Gravesham Borough Council, Mid Suffolk District Council and Cherwell District Council, and £2m to South Somerset District Council. Cllr Anderson said: “A council has never defaulted on a local authority investment.

“Councils are required, by law, to produce a balanced budget, and if they can’t their chief finance officer may, as a last resort, have to issue a s114 notice. “The notice suspends all new expenditure with the exception of statutory services including schools, adult care and safeguarding until the council agrees a robust recovery plan. “If a revised balanced budget cannot be approved, then external auditors and central government may decide to intervene and impose an action plan to resolve the financial issue.”

Spelthorne confirmed two loans of £5m each are due for repayment in January 2023. A spokesperson said no further loans had been issued and the agreed terms and conditions and risk assessment still applied.

They added: “It is important to note that government will underwrite ability of councils to meet their liabilities and there is no indication to show a different approach is being taken now, therefore, the monies will be repaid.
“In terms of low levels of credit risk councils rank only after sovereign governments.”

Waverley Borough Council did not wish to comment further, but a spokesperson confirmed two loans had been made to Thurrock Council of £5m each, one with a maturity date of March 2024 and the other of January 2024.
Then local government secretary Greg Clark MP said in a statement on September 2: “Given the serious financial situation at Thurrock Council and its potential impact on local services, I believe it is necessary for government to intervene. “I strongly believe that when a council gets into difficulties its local government neighbours should be the preferred source of help in turning it around. I know that Essex County Council possesses the expertise and ability to help its local government neighbour. Working together, I believe the councils can deliver the improvements local people expect and deserve.”

Surrey County Council and the remaining districts and boroughs confirmed they did not have any outstanding lending with Thurrock Council. Thurrock Council did not respond to a request for comment.

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