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Surrey’s debts match Woking’s but its position is secure?

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Surrey County Council expects to add a further billion pounds in “additional” debt to its balance sheets but experts have praised its financial sustainability and suggested it is better placed to cope with any potential issues.

The council currently has about £1.3 billion in capital financing requirements and has forecast this to surge to £2.4bn by 2028/29. It expects to fund much of this through borrowing.

According to its own figures the council has an estimated borrowing limit of £1.06 billion which it forecasts will grow to £2 billion by 2028/29. It will do this, it says by borrowing an additional £1.24 billion over that time frame.

The finances were presented to Surrey County Council’s Audit and Governance committee on Wednesday January 17 and comes as data found Surrey councils were racking up some of the biggest debts in the UK.

Analysis from the Shared Data Unit shows Woking Borough Council topped the charts owing £1.95bn as of September 2023 – working out at about £19,000 for every resident, the highest in the country. Spelthorne was second with average debts of £10,415, per person and Runnymede fifth, on £7,270 with the Public Accounts Committee warning that these massive debts posed a risk to local services.

Addressing the meeting was council officer Nicola O’Connor. She said: “The table does demonstrate an ongoing commitment to capital expenditure by the council. Our capital program, to be approved in the coming weeks, remains ambitious and remains significant in terms of our capital investment over the next five years. That does result in an anticipated increase in our borrowing. We will manage that and review actual spend compared to forecast before we undertake borrowing.”

She added: “There is an expectation that the borrowing of the council will increase in the coming years in order to support and finance that ambition in the capital program.”

Surrey County Council lost £27 million from the value of its capital investments in 2023. The finance model continues the same line the council has managed in the past with no significant changes. It sees the continuation of its plan to “maximise our internal borrowing and to balance the long and the short term debt portfolio in order to manage that cost of carry”.

Surrey County Council borrowed an additional £79m in 2023. This is forecast to rise by a further £156m this financial year, with further sums of £372m, £360m, £193m, £129m and £131m added in debt in each of the following years until 2029 – bringing the total additional borrowing for £1,18 billion.

If the plan is followed through the council’s capital funding requirement would grow from £1,3bn to £2,4bn – bringing it almost in line with bankrupt Woking Borough Council which declared itself effectively bust last year.

It would also mean the council would be spending £59m a year to service the debt through minimum revenue protection payments. Overall the council’s financial health remains bullish, considering the serious risks other local authorities were in.

Paul Dossett of accountancy firm Grant Thornton told the meeting that, although the council was not immune to financial challenges hitting local authorities across the country, it had the support in place to better navigate them. He said: “It’s a very very strong position and you have the right mechanisms in place”. He added: “Your strong governance is linked to the fact that your financial sustainability is in a better place than some other councils. Your strong arrangements for aching value for money is linked to the reasons of your financial sustainability.

“I’m not downplaying the challenges you face. because you face some… but overall it’s a very strong report it will be absolutely in our top quartile at least for these types of reports this year.”

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