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Will Surrey's Debts Force Us to Have a Unitary Authority?

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Billions of pounds in crushing debt could force Surrey and its boroughs and districts to become a single mega council – potentially merged with a neighbour, following government feedback on its devolution and reorganisation plans.

Two plans were submitted in March over how to dissolve local government in the county and create a new streamlined system.

The county council and a handful of the boroughs favoured splitting Surrey into two authorities with Elmbridge worried about being ‘punished’ if it is grouped with debt-ridden neighbours – while the majority of the districts favoured three. Both would have an overarching and directly elected mayor.

Now, those plans could all be for nothing if they are unable to demonstrate how to deal with the more than £5 billion of debt owed – and in particular £2.6 billion from bankrupt Woking Borough Council and £1 billion at Spelthorne where government commissioners have recently been appointed to take over.

The letter from the Ministry of Housing, Communities and Local Government was sent to all chief executives of Surrey’s boroughs, districts and county council, in reply to the councils’ plans.

It read: “The county and district co-authored plan shows that greater efficiencies are available where there is less disaggregation, with the single unitary enabling the greatest efficiency that could benefit the management of local debt.

“Given the scale of the financial challenges facing Surrey, we would welcome further detail on how the ability to manage debt compares in each of the different options.

“As the long-term financial sustainability of the three unitary option seems most challenging in this context, we will need more information on how you will manage the risks of disaggregation to meet the financial sustainability criteria as well as the approach to debt management.”

“We suggest meeting to discuss in more detail local proposals for managing debt.”

The ministry said that if Surrey was to shift towards a single unitary model, unlocking devolution would mean partnering up with neighbouring authorities or joining a neighbouring mayoral authority. “

To achieve this, the area will need to ensure the proposed devolution geography meets the criteria set out in the English Devolution White Paper.

A Surrey-only devolution would only work, it added, under the two or three unitary council proposals “subject to achieving sensible population ratios between unitaries”.

The ministry also specifically asked for evidence on how any new merged authority “would enable financially viable councils, including identifying which option best delivers value for money for council tax payers”.

It added; “We note the desire for clarity and further discussions around the area’s debt position and your preferred option for Government to write off the current estimated debt of £1.5bn.”

Woking Borough Council is short £1.5 billion – once all its assets are accounted for.

It continues: “The default position is that assets and liabilities remain locally managed by councils, but we acknowledge that there are exceptional circumstances where there has been failure linked to capital practices.

“Where that is the case, proposals should reflect the extent to which the implications of this can be managed locally, including as part of efficiencies possible through reorganisation.

“Commissioners should be engaged in these discussions.

“It would be helpful to see further detail in proposals on the projected financial sustainability of proposed unitaries and how they could manage debt locally.”

ENDS