

Woking £490m write down sparks 'worst fears'

19 May 2023



Epsom and Ewell Times has been following a nearby Surrey Borough's debt woes. Epsom and Ewell Borough Council, in contrast to Woking, has consistently balanced its budgets. The Woking towers in question are visible from Epsom Downs. Chris Caulfield reports.

"Worst fears" have been confirmed in newly published accounts that exposed a half billion pound "black hole" in Woking Borough Council's finances and plunged the future of many services into doubt.

The figures, released this week on Companies House for 2021, show the council's biggest investment, Victoria Square, has had £490,479,300 wiped off its value.

Construction on the development began in 2017 after the previous administration signed off on £750m of loans to cover the investment.

It was billed as one of "the most ambitious developments in the South East" and included 429 apartments, retail and leisure space, a performing arts academy, a four star hotel, and a medical centre. It means its fair market value is now hugely below its carrying book value but the scale of the figures, though predicted by councillors, still shocked.

Councillor **Adam Kirby** (Lib Dem, Horsell) told the LDRS: “We’ve been looking at this for a really long time. We’ve taken control of the council a year ago and can now get a better idea of the council’s financial position. This is our worst fears come true. We didn’t want to be right about this but in the last few days the Company’s House valuation has been eye catching. “We were told for many many years that these investments, if you could call them that, wouldn’t impact the budget for council services, but what is likely is it will.

“There are statutory functions we have to provide by law and we could be going into special measures to help us – we are in conversation with a government task force who are working with councillors and the CEO. We are trying to protect things people need. Meals on Wheels, the leisure centre, don’t have legal requirements to support them but we do not want to take them away. Stopping them won’t solve the problem.”

He added: “It would be irresponsible to speculate on what changes will be made at this stage, its people’s jobs and residents who rely on these services. People who were told these investments wouldn’t impact them.” He said there were two ways to look at the problem, cash flow or valuation, but that it was the same problem.

The council borrowed £750m for the project and, according to the latest valuation report, it is only worth £199m. Cllr Kirby added: “There is a black hole in the balance sheet.”

Furthermore the council’s total debt is expected to hit £2.5billion by 2024/25, up from its current level of £2.1bn. The council, he said, was firmly in “section 114 territory” where the government takes over the financial running of a local authority that is effectively bankrupt and unable to pay for even basic services.

Woking Borough Council is running on a budget deficit of about £10m on a budget of £45m. There is £11m collected in council

tax with the rest coming from sources such as parking or rent rates.

The Companies House report on Victoria Square Woking Limited (VSWL) indicates the company incurred a net loss of £490,479,300 during the year ended December 31, 2021.

VSWL owns the new shopping centre, residential development, and hotel – backed by a longstanding agreement with Woking Council.

The report adds that its current liabilities exceeded its total assets by £501,988,671 indicating a “material uncertainty exists that may cast significant doubt on the company’s ability to continue as a going concern and, therefore, “that it may be unable to realise its assets and discharge its liabilities in the normal course of business”.

Cllr Kirby said: “We are going to find out the impact on the council soon and it’s not going to be good.”

The council has said the £490 million write down not only “confirms its worst fears” but casts “uncertainty on further funding for Victoria Square project beyond May with imminent reports into financial implications for the council itself.”

Cllr **Dale Roberts**, portfolio holder for finance and economic development at Woking Borough Council, said: “Even though we had fully anticipated massive losses and signalled them earlier in the year, this is still devastating news. He added: “As soon as we won last year’s elections, we took immediate action to limit the damage. First, we reduced the period for which we would commit working capital to VSWL from ten to five years. Then, we began to put in place the missing systems and processes to properly run a commercial operation – and to protect the long-term interests of all Woking residents.

“Now, these accounts will further inform ongoing work being carried out by public sector finance experts, who we

commissioned earlier this year to better understand the sustainability of the council's own annual budget. Looking ahead, it would be irresponsible to speculate on the details and timings of what happens next. However it is responsible to be transparent about the scale of this situation. Only complete transparency will enable our commitment to finding solutions as soon as possible."

Related Reports

Waking to Woking's woeful debt

Would you want to live in Woking?

Woking up to a very big debt problem

Blot on Epsom Downs horizon to grow no more?