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Woking bankruptcy, far or near to us?

7 June 2023



Woking maybe a town distant on the horizon of **Epsom** but its debts may yet ripple onto Epsom and Ewell taxpayers' shoulders. Chris Caulfield reports.

Woking Borough Council has gone bust under the weight of its £2billion debt and banned from any new spending after effectively being declared bankrupt.

The dire situation means the council will cut all spending for non-essential services after a section 114 notice was issued. The authority's debt is forecasted to rise to £2.6bn. The only exceptions are in cases where it must legally protect vulnerable people and for services it must cover by law.

The full impact on residents is not yet clear. Croydon Council, which issued its third 114 notice last year, had to increase council tax by 15 per cent and its till negotiating a bail out for about half a billion pounds.
Woking Borough Council's notice comes three weeks after Government appointed commissioners were sent in by, the Department of Levelling Up, Housing and Communities (DLHUC) over the "serious concerns" over the "exceptional level of financial and commercial risk" the authority exposed itself to, "as well as its approach to strategic financial decision making and debt management".

Julie Fisher, Woking Borough Council's chief executive, said: "The issuing of a Section 114 Notice is a very serious matter that rightly reflects the scale and breadth of the acute financial situation facing the Council. Through the commissioning of an independent financial review of the Council's borrowing and loans to its companies, we have a comprehensive understanding of our severe financial position which informed the Section 151 Officer's decision to issue a Section 114 Notice.

"The Council is required to meet within 21 days to consider the notice. I am preparing a response to this notice for an Extraordinary Meeting of Full Council that is being arranged for Tuesday June 20 to meet this requirement. Following the Secretary of State's appointment of a Commissioning Team, I will be seeking their expertise and using their critical insight to help the council deliver an Improvement and Recovery Plan at pace to ensure we take actions that are in the interests of the public purse.

My first report on these actions will be to the Thursday 13 July meeting of the Council's Executive."

The council's debt soared into the billions on the back of an investment strategy that saw it borrow hundreds of millions of pounds for regeneration projects.

The most high profile, the Victoria Square development in Woking town centre, was based on £750million in borrowing, with reports now showing the project to be worth just £200m.

The council said its Section 151 officer and interim director of finance issued the notice "in response to the unprecedented financial challenges facing the Council." It said "the expenditure of the council is set to exceed the financial resources available, and therefore it can no longer balance its budget for the current financial year nor subsequent years.

"Against the core funding of £16million available in the 2023/24 financial year, the Council faces a deficit of £1.2billion."

The council has been on DLUHC's radar for sometime, given the scale of its commercial activity and financial situation, noting that, relative to its size is became the "the most indebted local authority" in the UK.

As of December 2022 it had amassed £1.9bn of debt compared to a core spending power of £14m. The section 114 notice means it is no longer possible for the council to balance its budget but as yet the government has not committed to a bail out – the scale of which could have national implications.

The amount of money needed to get the council on to an even keel is beyond the remit of DLUHC and needs formal government approval. However leaked documents from an unpublished report suggested this could impact government borrowing ability.

Two main private companies run by the council, Wey Group and Victoria Square Woking Ltd, generated the majority of its debt through housing and regeneration schemes between 2016 and 2019.

Cllr **Ann-Marie Barker**, leader of Woking Borough Council, said: "My administration has been very clear about the huge financial challenges facing the council due to the legacy of inherited debt.

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“The Notice makes clear the true scale of these challenges which are so significant that the Council cannot simply deal with them on its own. We must work in partnership with the whole of government and its agencies to support us in delivering a robust Improvement and Recovery Plan.

“I understand the concerns and questions this will raise, and I am committed to maintaining transparency with residents and partners as we progress through this unsettling time. Difficult decisions will lie ahead as we seek to balance the Council’s budget and address the unaffordable debt.”

WOKING’S DEBT CRISIS EXPLAINED

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