



Department for Levelling Up, Housing & Communities

Councillor Ann-Marie Barker
Woking Borough Council
Civic Offices
Gloucester Square
Woking
Surrey
GU21 6YL

Paul Scully MP
*Minister of State for Local Government and
Building Safety and Minister for London*

**Department for Levelling Up, Housing and
Communities**
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

18 October 2022

Dear Councillor Barker,

I am writing further to my predecessor the Rt Hon Kemi Badenoch MP's letter of 11 May 2022, which set out Government's intent to put in place statutory powers to directly address instances of excessive risk from borrowing and investment practices. That letter initiated engagement between my officials and your officers to better understand Woking Borough Council's financial risks, given that the Council is likely to be in scope of the powers due to its very high levels of debt. I would like to thank the Council for its cooperation and constructive engagement so far as part of that process.

The intent of the Prudential Framework is to drive good decision-making and support local capital delivery in a way that is value-for-money, while constraining excessive risk to the sector. I recognise that local investment can be important for local growth, transformational change, and for delivering priorities such as housing and regeneration, but it is important that it is done sustainably and in a way that appropriately manages financial risk.

As you will be aware, the Government has in recent years expressed concerns that some authorities are putting taxpayers' money at risk through disproportionate levels of debt, over-reliance on commercial income, or pursuing novel and risky investments. These concerns have also been raised by the Public Accounts Committee. My officials have been engaging with your officers on these issues.

I have concerns that, despite Woking having the highest level of commercial debt relative to its size of any authority, its debt is forecast to rise even further to almost £2.4bn by 2024/25. This makes it an outlier even amongst the other local authorities my officials are engaging with. Further, I have concerns about the lending arrangements for the major developments the Council is undertaking, and the risks this exposes the Council and taxpayers to, due to the long-term high levels of debt, the ongoing lending arrangements the Council has with its companies, and the sensitivity of these investments to commercial performance.

Due to the complexity of the Council's financial position, I would like advice from an external review into Woking's finances, investments, and related governance. I would welcome your agreement to such a review, which we can put in place on a non-statutory basis and will help identify how my department can best support you to reduce your financial risk. Although I recognise that the Council has worked cooperatively with my officials, I consider such a review appropriate and necessary for a full and transparent understanding of the risks the Council is exposed to from its investment strategy. If you agree, my officials will be in touch to discuss

the practicalities. I will be seeking assurances on the long-term financial risks facing the Council, financial governance, and what more can be done to reduce Woking's debt and associated risks to the taxpayer.

I understand that the Council has also been engaging with Surrey County Council. It is reassuring to know that there is productive engagement between District and County; that engagement should continue alongside the review mentioned above. I would like to take this opportunity to emphasise the importance of protecting the interests of local taxpayers and tackling risk within local government, along with the need to avoid unintended consequences. I would, therefore, be grateful for your support in working openly and cooperatively with the review, once in place.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Scully', with a stylized flourish at the end.

PAUL SCULLY MP

**Minister for Local Government and
Building Safety and Minister for London**