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Surrey Borough running up big debts

30 December 2023



Runnymede Borough Council has been served formal notice over its “significant debt” and an over reliance on commercial income to support its services. The Department for Levelling up, Housing and Communities (DLUHC) has written to the council after the borough borrowed 71 times its core spending power to fund an “investment strategy that produces a less than 1 per cent return”.

DLUHC’s Best Value Notice was issued after the Chartered Institute for Public Finance and Accountancy raised concerns in July. The council can still receive, and be awarded, government funding while under the 12 month notice.

Writing to the Runnymede Borough Council (RBC) was Suzanne Clarke, DLUHC’s deputy director of finance. She said: “Ministers remain concerned as to Runnymede Borough Council’s capacity to comply with its Best Value Duty under the Local Government Act 1999.”

Mrs Clarke added: “The authority has significant debt relative to its size, as of March 31, 2023, it had borrowing 71 times their core spending power, which has been used predominantly to invest in the authority’s property portfolio. This level of debt poses the authority with capacity challenges, particularly in asset management, commercial and regeneration activity.

“Commercial income represents a substantial revenue source for RBC and is used to support both core and discretionary services, which exposes the authority to significant financial risks should anticipated income fail.”

She said the borough has engaged constructively and openly with the accountants and indicated it was taking steps to address the concerns raised in the review.

Responding to the notice, Councillor Tom Gracey, Leader of Runnymede Borough Council said: “It is right that effective scrutiny must be in place around investment and spending decisions to ensure value for money. I am proud of the track record we have delivered in Runnymede in not only providing investment in our social housing, regeneration across communities, and funding services valued by our residents, but also in our sound risk and financial management.”

Andrew Pritchard, chief executive of Runnymede Borough Council said the notice reflected the next step in their ongoing and positive dialogue with DLUHC and that most borrowing had been locked in while interest rates were at an historic low. He added: “This borrowing enabled us to fund a mix of commercial investment, improvements to our social housing stock, and complete the regeneration of Addlestone and Egham – all of which now benefits residents.”

Councillor Don Whyte, group leader of the Liberal Democrats told the Local Democracy Reporting Service that the council had been waiting a considerable time for DLUHC’s decision. He said: “The decision removes a degree of uncertainty and provides some clarity of what it needs to do. The areas that Runnymede are specifically charged with improving are justified, most notably decision making and scrutiny processes, and capacity and capability.

“An example of this is that the Conservative administration have always ensured that the chair of the Overview and Scrutiny Committee is a Conservative, marking their own homework, and not one of the opposition which is deemed best practice in local government.”

He added that the Government needed to “take a significant amount of responsibility for the position” local authorities are in “given that loans amounting to billions of pounds were provided by the Public Works Loans Board with minimal due diligence”.

Cllr Robert King, Labour group leader, said: “Runnymede can not go on throwing good money after bad at underperforming investments”.

He added that questions had been raised about “the investment strategy which produces a less than 1 per cent return” with only “partial plans” for “paying back the debts principle, not just the interest. Something which should have been reviewed long ago, and not just now or with a future peer review from the Local Government Association”.

Image: Cllr Thomas Gracey (image Runnymede Borough Council) and Runnymede Borough Council (Grahame Larter)

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