

**22 November 2023**

**PRESS RELEASE**

**SHBC LEADER ‘BANKRUPTCY’ CLAIMS DEBUNKED BY SECTION 151 OFFICER IN HOUSE OF COMMONS**

Contrary to the false claims on SHBC Leader Shaun Macdonald’s blog that SHBC is on the verge of bankruptcy, on Monday 13.11.23 Surrey Heath Borough Council’s highly respected Section 151 Officer gave evidence to the Levelling Up, Housing and Communities Committee<sup>1</sup>.

The contrast in the messages is startling..

The evidence included the following:

s151 Officer: “My council is not in immediate financial distress. Like many other councils, it is predicting a use of reserves over the medium-term financial period, and the burn rate of those reserves is probably unsustainable into the medium to long-term future.”

Q100: Chair: “Briefly—next year, use of reserves, further cuts?”

s151 Officer: “We have a challenging budget process, which we are entering into right now. There is a budgetary gap that we have to meet through, potentially, cuts to discretionary services or efficiencies. Over the past two or two-and-a-half years, we have embarked on a number of efficiency measures, where we have taken costs out of the organisation without cutting services to the residents and businesses of Surrey Heath. It is likely that, where we are, we will now have to look at some of the discretionary services.

Over the past, we have also built up levels of earmarked reserves for just such a case as we are starting to see with some of the higher interest rates coming through. We are using those reserves, and we plan to draw them down to smooth the impact of the budgetary gap being eradicated over the four years. This year, we have a balanced budget by use of earmarked, and next year we will have the same situation. We have sufficient reserves to take us through to the end of the four-year period, but it is challenging and some difficult decisions will have to be taken.”

Q112 Mrs Elphicke: “Is there poor decision making and governance, or are these commercial risks manageable?”

s151 Officer: “I think it is key to understand why some councils, particularly in the south-east, took what they deemed to be commercial investments, and I will come on to whether they are commercial or not in a second. In 2014 we were given general powers of competence to go and do things—it was almost a green light from the Government to invest in things like that. At the same time, we saw a drive by councils in the southeast to become self-sufficient—not through any desire of their own, but because the Government funding fell away completely. We now receive our own council tax take. We now get to retain some of our business rates—I say “some” because business rates retention has not really impacted a great deal on my borough and the other south-east authorities I have worked for previously. Councils did look at other ways to make income to provide services, and this was not driven by any profit motive at all. This was a desire to provide services to the residents and businesses of the boroughs and districts around the area.

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<sup>1</sup> <https://committees.parliament.uk/oralevidence/13796/default/>

Key also to that—this is where I talk about whether it is commercial or not—is that it is done for regeneration and civic amenity. As a local authority, we talk about protecting the local economy, and about regenerating and protecting our town centres. What we did as a borough was take ownership of a town centre that potentially or probably would not be there now if we had not done what we did. So, yes, a lot of it gets tied up in our councils being commercial, but we are also protecting our local residents' civic amenity and the benefit of having a town centre within our area.

Is it too risky, as Gary mentioned? Proper business cases, proper whole-life costs around where you go to—I was not around when Surrey Heath took its investments. If I had been, would I have done anything different? Probably not, because we have those business cases in there—we have the reason for it. Perhaps, with 20/20 hindsight, you would say, “What is the downside? Where is the downside?” There was a certain euphoria around, “Yes, we are bringing in money”, and when the money came in, it was not just frittered away—it was used to support services. It was actually used to create a reserve that allowed us to equalise some of our interest payments now. Similar to Steve and where they are with their debt profile, we locked in £50 million of debt at under 3%—I will not get into one-upmanship, but it's just slightly under. We still keep a mixture of short-term and long-term debt. The reason we keep the short-term is that we were benefiting from some really, really low interest rates. We are talking about sub-20 basis points on some of those short-term loans—far below what the PWLB was doing for long-term debt. We banked the benefit of that. We are now using that to pay for the current high costs of those interest rates. But it is something that we did not do for commerciality, but to try to protect services and to try to give a town centre to residents.”

Councillor Shaun Garrett, Leader of the Conservative Group at Surrey County Council, said “Does the Leader Shaun Macdonald believe his comments to our residents in an open letter were misleading and that he should now issue a statement with the facts? Does he agree it is now time for the residents of Surrey Heath to receive the open and transparent administration they have been promised but not yet actually received?”

## **Surrey Heath Conservative Association**