

Written evidence submitted by Woking Labour (Woking Constituency Labour Party)

- I. Woking Labour has concerns about how Woking Borough Council (WBC) is operating its loans and investments and the potential impact that has on our local services. We would therefore like to ask the committee to investigate whether the council's borrow to invest strategy is putting at risk its ability to deliver local services.

Our concerns are as follows:

1. **The size of WBC's borrowing.** Woking is one of 7 Local Authorities with over £1 billion in debt to the Public Works Loans Board (PWLB). In figures, published in 2018, Woking Borough Council already had debts of 26 times its annual budget¹ (Reference:), amounting to a total of £830m of outstanding borrowing. It has since increased that borrowing, making it one of the councils with the highest levels of borrowing in the country.
2. **An overreliance on commercial property for income.** The council has overly invested in the retail market, e.g. Wolsey Place, presenting their investments as strategic, when it was known at the outset that they would generate very little income. Businesses now can't afford rent and are going bust, putting the council at risk of not being able to cover its investment repayments. Investments in Wolsey Place (purchased in 2010 for £68m) have been adversely affected by the closure of retail chains resulting in empty units in the shopping centre.
3. **Investments are concentrated within the commercial property sector,** specifically towards office and retail space. This increases risk due to concentration in sectors vulnerable to economic downturns.
4. **Investments outside the borough that have run at a loss.** This includes investment in Thameswey in 1999. Thameswey is an environment and energy company set up by Woking Borough Council which provides energy to 800 homes and 30 shops in Milton Keynes. Between 2004-2009 £44.7m was invested in Thameswey Group. By August 2009 only £941,000 had been repaid.
5. **At the same time as an overreliance on commercial investments, WBC is not meeting its social housing needs,** failing to build 242 houses in 2019-20. According to WBC's core strategy². "The Council will make provision for the delivery of at least 4,964 net additional dwellings in the Borough between 2010 and 2027 (an annual average of at least 292 per annum)."
6. **High building costs of major Woking projects:** E.g. Harrington Place³.
7. While we understand councils can make strategic purchases within their own borough, **it is essential that these purchases are subject to proper scrutiny and the assets are not overvalued and purchased at above market rates.** It is therefore a concern that WBC's purchase of Dukes Court in 2017 for £72.35 million was not properly scrutinised. The previous owners Aerium paid £61.5m for the same

¹ <https://www.thebureauinvestigates.com/stories/2018-12-04/councils-borrow-billions-to-buy-real-estate>

² <https://www.woking2027.info/developmentplan/corestrategy/adoptedcorestrategy.pdf>

³ <https://www.thamesweygroup.co.uk/project/harrington-place/>

location only 3 years previously in 2014. It has lost significant value in a short period of time and is now valued at £50 million.

8. **The council should not be operating as a commercial lender.** The council, having borrowed money at a low interest rate from the PWLB, has chosen to lend money to third party companies (some of whom have no assets) and to 'arms' length companies' - separate private entities but with Directors appointed by the council. We have concerns about these loans, some of which we list here:
 - a. In January 2018, Ray Morgan and former leader of the Council John Kingsbury were placed under scrutiny in their role in securing a £460 million loan from WBC to Victoria Square Woking Limited (VSWL) for the building of the new high-rise development Victoria Square in Woking, a loan which was an increase from the original £150 million. Both sit on the board of VSWL.⁴
 - b. £250 million loan to GolDev Woking Ltd. (a company with no assets). When Woking Labour councillors asked what criteria WBC had used for choosing Goldev as a partner, they were told that Goldev had been chosen by Woking football club and then approached the council for a development agreement, to which they had agreed.
 - c. £11 million loan to Greenfields, a local private school⁵
 - d. £460m loan to Moyallen, with an additional £45m agreed subsequently⁶
 - e. £47.1million to Thameswey in November 2019, a private contract wholly owned and financed by WBC.
9. **The very limited valuation process undertaken by the council for many of its purchases.**
10. Underlying Woking Labour's concerns that the PAC assess whether WBC's investments are prudential and sustainable, **we are also calling for a review into the low levels of transparency and scrutiny operating in the council.**
11. Private meetings take place between the Leader of the Council, council executives and prospective property and land developers. Deals are then locked in, sometimes bypassing approved council policies, before they can be further scrutinised.
12. This is how a company was awarded the contract for building in Woking Town Centre with weak finances and little previous experience of similar scales of development. When councillors ask to review these deals, they are told they are 'confidential'. The result is that Council executives then sit on the boards of newly formed private building and development companies, running building projects, approving expenditure and even sitting on the oversight panels – all of which is a clear conflict of interest. The deal made between the Council and Freedom Leisure is one such example.

⁴ <https://www.getsurrey.co.uk/news/surrey-news/confidential-result-complaint-woking-ceo-14802308>

⁵ <https://www.getsurrey.co.uk/news/surrey-news/woking-borough-council-slammed-lending-17432747>

⁶ <https://www.getsurrey.co.uk/news/surrey-news/victoria-square-council-leader-gives-14469324>

13. Related to above, **Woking Labour is also calling for stringent governing practices to be put in place for all council procurement**, for an end to a culture of cronyism and decision-making behind closed doors. In the light of council employees recently having offered to positively 'spin' information for the Conservative councillors, and encouraging developers to put forward plans which are known to violate council policy on affordable housing, Woking Labour would like to see a review of the council's current code of conduct for council employees at all levels.

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