

Councils show how much you lose with government investment and trading

Labour and Liberal like to blame the government for the Councils that go bankrupt or have to cut essential services to make ends meet. It is easy to just say government should give them more money. The truth is many of the Councils get into a financial mess by mismanagement, excess spending and bad investments.

Take the cases of Labour Bristol and Nottingham. Both embarked on investing taxpayers money in their own energy company. Both spent millions, both overstretched, both incurred huge losses and had to sell off their customers as they went through administration. Bristol lost £46 m in 4 years and Robin Hood £38 m. 8 Council energy companies lost over £110 m between them.

Or take the cases of some Councils who spent a fortune of taxpayers money on building property empires, only see them fall in value leaving the Council to pay huge interest on the debts. Or consider Thurrock who thought solar farms would be a good bet as well as property, only to lose big time on these bets.

Birmingham got itself into big losses by failing to pay its female staff in past years equal pay under the law. It is now struggling with the bills to reimburse.

Councils got punch drunk on relatively cheap loans. They bought property and trading assets from the private sector for high prices, failing to realise the grave risks. Interest rates went up, trading losses mounted and several go into the public sector equivalent of bankruptcy. Yet still some Councils persevere with wasting taxpayers money on assets they do not understand which they pay too much for.

It is difficult to sympathise with Councils that effectively go bust through bad investment. Why did so many Councils think it a good idea to buy property from the private sector when it was expensive and interest rates were too low? Did they not understand those properties would fall sharply in value when rates went up?

The fate of public sector trading companies run by some Councils should act as further warning that nationalised businesses can lose taxpayers a lot of money. Labour has failed to produce any back up to the soundbite that a Great British Energy Company could make money for the state and deliver lower energy prices. History suggests it would lose money and cost us more.