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9th October 2025 weekly
ISSN 2753-2771

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ISSN 2753-2771

Another Surrey Borough under financial strain

“Hard” times are coming to Surrey Heath Borough Council residents as millions of pounds are being cut from services, with many reduced to minimum standards, as its bleak financial situation became clear. The borough is saddled with high debt repayments to cover the cost of loans it borrowed to finance and purchase Camberley Square and the House of Fraser. The costs of servicing the debt are said to be almost as much as the council brings in through tax.

Plans to sell the town hall for housing and move into the House of Fraser building have also been put on ice due to the imminent restructuring of local government and the likely abolition of borough and district councils. It leaves the council having to rely on rapidly depleting reserves while it guts services to residents – or face going bust.

At the February 19 full meeting of Surrey Heath Borough Council, members agreed to make cuts of £2.143 million in ‘transformation savings’ while drawing down £21.67 million from earmarked reserves. This comes after years of uncertainty over the council’s finances – which have finally been audited for the first time since 2019.

The budget papers read: “The council now has a greater understanding of its level of reserves, the figures contained within its base budget and the overall size of the deficit. This is not a palatable situation and requires some significant transformational savings, efficiencies and additional income generation just to remain solvent over the period covered by this Medium-Term Financial Strategy (the next four years). Over the previous budgets, the council has applied some of its reserve balances to support regeneration and continued delivery of services to the local residents and businesses; however…this is not sustainable in perpetuity. Previous years have seen an annual base budget review exercise which generated £2.1 million overall savings to the council. These have not been sufficient to bridge the budget gap and have only succeeded in ‘buying more time’ on reserve usage; the council is now embarking on a council-wide transformation programme.”

This includes a full review of all discretionary services and a restructuring of what it provides to residents. The report read: “The desired outcome of reducing the cost of delivery through reduction in the non-statutory element level of service, ensuring compliance with only the minimum statutory requirement and ensuring appropriate cost recovery in the discretionary chargeable services offered.” There will also be a full review of the staffing structure as this makes up the majority of controllable costs of services.

The council has also said it would look to sell off assets and has identified some that could be disposed of. However, its two largest assets, and the ones that are primarily the root cause of much of the council’s financial problems, are now worth significantly less than what Surrey Heath paid. Selling these would result in huge losses.

Councillor Shaun Macdonald, leader of Surrey Heath Borough Council, said: “As expected, the view is not pretty. We are now clear that the numbers we inherited were fundamentally misstated, with the reserves being confirmed as £16m lower. That’s about a third of a haircut versus the total. Therefore, our ability to provide the same services to residents that they’ve been used to is nonexistent.”

He told the meeting: “Putting the properties to one side, our core income is about £13m and our core cost of services is roughly £15.8m. It does not take an accountant to understand that’s a difference of £2.8m a year – and that is before net indirect costs of roughly £5.3m, which is predominantly made of interest and debt repayments – less property income – to pay for the reckless purchases made in 2016 and which will remain a significant number for future generations. So what are our choices to address this longer term? Well, there are only two options: reduce costs and increase income further.

“Our ability to increase income is extremely limited, therefore the budget increases council tax by the permitted maximum of 2.99 per cent.” He said the maximum contribution must come through cost-cutting, through efficiencies, and through transformational change.

He added: “This is easier said than done. Not least with the cost of change to factor in. We simply have to stop doing things that we do today if it can’t pay its way or it’s not a statutory service, and that is hard. It’s hard for us collectively in this chamber, it’s hard for the officers who work very hard to provide our services, to provide our residents with the best services they can. It’s hard for our residents who are used to having what they’ve had as a service or the support that they’ve been given through grants.”

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