

# Government bailout to ease Woking's debt burden

1 May 2025



Taxpayers will cover the cost of Woking Borough Council's financial folly after the government agreed to "aid the reduction" of the bankrupt authority's multi-billion pound debt.

The bail out will initially cover debt owed by the borough in 2026-27 but could be extended if needed.

The pledge is an attempt to prevent Woking from immediately destroying any new authority it joins as part of the Government's merger plans for Surrey's councils.

Woking Borough Council declared itself effectively bankrupt in 2023 when its regeneration plans collapsed leaving it with debts expected to £2.6billion and annual repayments far outstripping what it brings in every year through council tax.

The problem has since spilled into neighbouring councils after the Government selected Surrey and its 11 boroughs and districts to become a newly devolved and reorganised and merged-mayoral authority.

On April 4, the Ministry of Housing, Communities and Local Government said liabilities should be locally managed by councils.

Since then, the Government has committed to "supporting any new authorities in Surrey with the rationalisation of Woking's assets, whether through the provision of interim financial support" it said this could be involve "further tranches of financial support for any remaining unsupported debt" until "new authorities are financially sustainable".

The council would still be expected to continue cutting costs and finding "best value" for taxpayers by selling off its assets - even after the Surrey was reorganised, according to papers published this week.

Leader of Woking Borough Council, Councillor Ann-Marie Barker, said: "We welcome the government's statement of intent regarding future financial support. It marks an important step towards addressing our debt position as part of wider discussions on the future structure of local government in Surrey.

"Whilst there is much still to be agreed, this announcement provides a degree of certainty as we continue to work closely with government and other Surrey councils to secure a sustainable financial future for Woking and ensure the best possible outcomes for residents.

"We are doing all we can to put our house in order by setting a balanced budget and having a strategic plan to sell assets. We remain committed to delivering our Improvement and Recovery Plan to the ensure that we enter any future arrangements in the strongest position possible."

ENDS

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## The cost of saving the cost of local government

1 May 2025



As of April 2025, Epsom and Ewell is actively engaged in Surrey's significant local government reorganisation, aiming to transition from the existing two-tier system to a unitary authority model.

The UK government initiated a directive for Surrey to be part of the first wave of local government reorganisation, inviting all 12 councils in the county to submit proposals for restructuring. The current two-tier system, comprising Surrey County Council and 11 district and borough councils, including Epsom and Ewell Borough Council, is set to be replaced by unitary authorities responsible for all local services.

Epsom and Ewell Borough Council, led by the Residents Associations of Epsom and Ewell, has expressed a preference for establishing three unitary councils within Surrey. This stance aims to balance efficiency with maintaining strong local

connections. Councillor Hannah Dalton, Chair of the Surrey Leaders Group and leader of the Residents' Association, has emphasized the importance of serving communities effectively and preserving local democracy.

Surrey County Council Leader Tim Oliver advocates for the creation of 'community-level boards' to ensure local voices are heard within the new governance structure. These boards would include representatives from various sectors, such as health, police, voluntary groups, and local councils, facilitating tailored public services and stronger community engagement.

While proponents of the reorganisation, such as Surrey County Council, argue that a streamlined unitary model will lead to long-term savings through the reduction of duplicated services and administrative overheads, there are also significant upfront costs involved. These include expenses related to restructuring staff, merging IT systems, rebranding, and establishing new governance frameworks. Early estimates suggest the transition could cost tens of millions of pounds, with potential savings only materialising over several years. Critics warn that these financial pressures could strain local services during the transition period and reduce the funds available for frontline delivery.

The Local Government Information Unit states: "A range of options for potential new unitaries were included from 27 to 67 different unitaries. And, across 18 regions (with the information publicly available), the average population size of options was 544,837. Across the 27 proposals analysed, £38.4m has been set aside for preparing LGR proposals. And, current financial analysis averages the estimated transition cost for each region's reorganisation as £31.1m."

A public consultation has been launched to gather feedback from residents and businesses on the proposed reorganisation. This initiative seeks to involve the community in shaping the future governance of Surrey, ensuring that the new structures reflect the needs and preferences of local populations.

- **Final Proposal Submission:** The final proposals for the new unitary structures are to be submitted to the government by 9 May 2025.
- **Government Decision:** A decision from the government is expected in the autumn of 2025.
- **Elections:** Local elections, initially scheduled for May 2025, have been postponed to May 2026 to accommodate the reorganisation process.

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## Woking Council private school loan scandal

1 May 2025



A private school loaned millions of pounds at favourable rates by bankrupt Woking Borough Council has still to pay its overdue debts - with the local authority saying it is "taking appropriate legal advice" to get its money back. Greenfield School in Old Woking was lent £13.3 million by the now-bust borough, with the previous administration saying the money would help free up capacity within state schools.

Last year, £2.4 million of that was due to be paid back, but the school said it was short of cash and instead offered the council a town centre building it owned in exchange, worth considerably less than that. The council, which is in the process of offloading assets to pay off its own multibillion-pound debt, told the school in November last year that it did not have the capacity to take on any additional buildings.

Four months on, the two parties appear to remain apart on terms, with questions now being asked at Woking Borough Council's March 20 executive meeting over whether the school will be able to "regularise" its position. Councillor Dale Roberts, lead member for finance, said: "We made it clear that the strong preference of this council was that the school simply met their existing commitments. They are also aware that they are required to provide independent and professional advice on the viability of their plans to repay. Our needs must be front and centre to provide assurance that the school will be able to honour any revised terms and of course that means not just the repayment in November last year but for the whole of the arrangement."

Cllr Roberts described the loans as “inappropriate” and that the “former administration had no business entering into any such arrangement”. He said: “I’d prefer not to comment on the legalities but I can say with some confidence that it was ultra reckless. The (previous administration) may or may not have acted beyond their legal powers but they certainly sprinted with blind ambition past the boundaries of good judgement.”

According to the papers published by Woking Borough Council, the unsecured loans between 2019 and 2021 helped the school to relocate into another catchment area and enter a different segment of the private education market. Woking Borough Council declared itself effectively bankrupt in 2023 and had to cut services while increasing tax by 10 per cent to help cover its financial meltdown. Greenfield School, which charges up to £17,010 a year, has previously told the council it “may not be in a position” to repay money owed.

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Image: Greenfield School Woking (image Google)

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## Surrey’s BIG debt question in local government reorganisation

1 May 2025



Plans for what Surrey could look like in local government reorganisation have been agreed but questions remain over looming debt. Councillors demanded to know how debt would be managed before the county is divided up.

The government outlined plans for a major reorganisation of local government in December. Two tier councils will be dissolved into unitary authorities which will carry out all local government functions like planning, bin collections as well as education and social care.

Members of the County Council have agreed on March 18 two proposals for how Surrey could be carved up in the most dramatic reorganisation of local services in 50 years. Serving 1.2m people, Surrey’s current matrix - consisting of 12 borough and district councils and one county council - could be split into two or three new local authorities.

Leader of Surrey County Council, Tim Oliver, said he believes reorganisation is the “opportunity to turbo charge localism”. He said: “Single councils are clearer for residents, have greater accountability, are more efficient and effective for delivery and strip out unnecessary bureaucracy and duplication.”

Option 1, and the Conservative-run cabinet’s preference, is to cut Surrey in half to create an east and west, or north and south. Exactly which councils will be included in the new authority are still yet to be determined, for instance whether Spelthorne borough is either on the east or west side.

Option 2, put forward by the majority of district and borough councils, consists of three new local authorities in the form of north-west, south-west and south-east Surrey. Again, full details of which councils would be included is still in the draft stages.

The two outline plans will be submitted to the central government on Friday March 21, who will ultimately have the deciding power on the new face of Surrey. Meanwhile, the local authorities will keep working to produce a final proposal by May 9.

With over £5.5bn worth of crushing debt across the county, members publicly urged the government to solve Surrey’s financial issues before reorganisation. Cllr Catherine Powell said there needs to be “a clear path on the £5.5bn of debt” as it could create “significant imbalances” leading one council “more likely to fail”. The Residents’ Association and Independent Group Leader said she does not feel Surrey can propose new authorities without a solution.

Leader of the Liberal Democrat Group, Cllr Paul Follows, said the councils’ debt is “so toxic it will pollute the rest of this county”. He lamented that reorganisation will not be about what is best for residents but about how money will be spent.

Speaking to the council, the leader said the government has “made it clear it does not intend to write off all of Woking’s debt”. Cllr Oliver said he will be having detailed conversations and Surrey will “have to come up with plan B”.

Creating two councils in Surrey could save £27m after five years but three authorities could potentially make a loss of £8m, according to the county council’s report. But the district and borough councils argue three unitary authorities would only save slightly less money than two and not be in a deficit.

However, Cllr Oliver said they have not taken into account the cost of reorganising services, such as adult social care, which could add substantial added costs. The leader claimed splitting into two is the best value for money for residents.

“There is no desire for Ashford to sink in with Godstone should the boundaries be cut [one] way,” said Cllr Robert Evans OBE. He explained slicing Surrey into two would only reveal some towns would have little in common with villages they may have not even heard of.

Creating two unitary councils with a population of around 600,000 each, opponents slammed the proposal as bad for local democracy and eroding distinctive community identities. Members also flagged there would be significantly less councillors looking after greater areas.

But those battling for a dual council-led Surrey said few residents even identify with the council and local identity would be strengthened by working with community groups and local healthcare networks.

Questions about services like adult social care as well as children and education services were raised as major issues. Cllr Sinead Mooney said splitting the adult social care beyond two units would complicate the service and people could “fall through the gaps”. Cllr Clare Curran highlighted the potential difficulties in retaining and splitting staff to more than two councils, meaning experienced teams could leave.

Cllr Fiona Davidson called for a need to assess how many children homes, specialist school places and demand for foster children to ensure Surrey is covered with the right services. Members agreed it was not just about making services cheaper and simpler- they had to be run better than currently.

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## Surrey ratches up record fines for education failures

1 May 2025



Surrey County Council is on pace to be hit with more than £1 million in fines and redress payments due to its repeated failures within its education service over the last two years. The council says the system doesn’t work for families, schools, or local authorities – and has lobbied the government for changes, additional funding, and urgent reform.

The “record-breaking” fines, which have climbed from £47,000 in 2020 to more than half a million pounds last year and almost double its previous high of £258,730 in 2023, show the council has “lost control and continues to put vulnerable people at risk,” according to opposition leaders. Now, Surrey County Council has paid £239,510.75 in financial remedies in the first six months of this financial year – putting it on track to hit £470,000 for the full 12 months and a million pounds in the past two years. The majority, £220,965.00, relates to its education services, with the largest individual payments arising from complaints about missed education or missed provision, reports show. These are made when a child is unable to attend school because appropriate or alternative support has not been provided, or where the provision agreed in an Educational Health Care Plan (EHCP) has not been put in place.

The three largest individual remedies paid out so far this year are about £11,000, £8,900, and £8,353 – primarily in recognition of time missed. The largest fine or payment in its Children’s Social Care services so far is £8,325.12, in relation to “errors.”

Clare Curran, Surrey County Council cabinet member for children, families, and lifelong learning, said: “We are working hard to reduce spend on fines, which we know is higher than it should be. Provision and support for children with SEND is a systemic issue that councils up and down the country are grappling with. The national system is not working for families, schools, or councils, and we and other bodies are consistently lobbying the government for wider system changes, additional funding, and urgent reform.”

She said the council had also been working to improve the service with £15m put into a “three-year multi-agency recovery plan” in 2023, which was “now showing clear performance improvements.” Cllr Curran added: “The volume of stage one complaints received in the first six months of this year has decreased compared to the same period in the last two

financial years, reflecting the efforts made by services across the council to resolve complaints early on and in the timeliness of responses. We also recognise that delays in issuing Education, Health and Care Plans (EHCP) have historically contributed to missed provision and subsequent fines, however progress is being made in this area too.

“Our average EHCP timeliness levels in Surrey over the six months from September 2024 – February 2025 is 72 per cent, well over the national average of 50.3 per cent. We have also caught up on the backlog of Education, Health and Care needs assessments, and over 75 per cent of overdue annual reviews have now been brought up to date. We expect these improvements to start having an impact on the number of Local Government Ombudsman cases in the near future.

“We are resolute in our ambition to continue to improve services and outcomes for children and young people with additional needs and disabilities so that they are happy, healthy, safe, and confident about their future.”

Councillor Paul Follows, Liberal Democrat group leader at Surrey County Council, said the authority had been promising to fix children’s services for years but has had little to show for it so far. He added: “Surrey County Council have for years been promising families that they would get a grip of children’s services and SEND provision, and as these record-breaking fines indicate, they have lost control and continue to put vulnerable people at risk.”

New Surrey County Council HQ, Woodhatch Place on Cockshot Hill, Reigate. Credit Surrey County Council

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## Who will be saddled with Spelthorne’s and Woking’s £3 billion debts?

1 May 2025



The Surrey Borough of Spelthorne’s financial crisis is “even more critical”, with millions in cuts needed to avoid catastrophic bankruptcy, says new report.

Best value inspectors were called in to review the council’s finances in May 2024 in light of extremely high levels of debt and borrowing. Spelthorne’s debt reached £1.096 billion in March 2023 – the second highest level of debt for a district council in England at the time.

The findings of the inspection have been published today (March 17). The report highlights that the council “is in a critical financial position, burdened by unsustainable debt levels, significant investment risks, and systemic governance weaknesses”.

Between 2016 and 2018, Spelthorne Borough Council borrowed around £1 billion to invest in a commercial portfolio of Grade A office buildings and residential land in and around the borough. But slow progress on regeneration and housing projects highlights a limited understanding of regeneration delivery as well as finance and risk, the inspectors said.

Best Value Inspectors concluded: “The council’s use of its resources is inadequate”. In the damning report, they said Spelthorne’s approach to property acquisitions “lacked due regard to long-term planning and risk management” and had an “overly-optimistic reliance on consistency” of the market that the Council first entered.

The report said: “The combination of voids, expiring leases, and falling income streams from the investment portfolio threatens the stability of its budget. Adding to the strain are the ongoing revenue costs of housing and regeneration projects, which were suspended in late 2023. Despite these mounting financial pressures, no clear path forward has been outlined to address them.”

The recovery process will be overseen by government-appointed commissioners. Minister of State for Local Government and English Devolution, Jim McMahon, wrote to leader Cllr Joanne Sexton to say the local authority is failing in its ‘best value’ duty to residents, essentially meaning the authority is defecting on its ability to make decisions that are economic, efficient and effective and work towards continuous improvement.

Inspectors said the council has a “poor record” of fully and effectively implementing recommendations from external reviews. The report read: “Senior officers display an optimism bias and a lack of awareness of the true situation facing the council. We do not believe the council has the capacity and capability to make the urgent changes needed without significant external support.”

Both the inspection and the recent external audit found errors in the council’s financial practices including the miscalculating the minimum amount Spelthorne needs to keep paying back its debt, incorrectly classifying expenses as assets, further undermining the revenue budget.

“The outline budget report for 2025/26 to 2028/29 presented to members on December 9, 2024 shows the need to deliver £8.6 million in savings by 2028/29, equating to 64 per cent of the council’s core spending power for 2024/25, or 33 per

cent of the net budget, assuming contributions from commercial income. In our view, even these projections are understated. Despite this, we have seen no credible strategy in place to achieve savings of this level,” said the report.

Leader of Spelthorne Borough Council, Cllr Joanne Sexton, said, “This Group Administration has faced a challenging time and has been actively pursuing the right solution to manage the historical debt that it has inherited. We have met with the Local Government Minister from central government, and we have agreed to work in partnership to take decisive action in the remaining time we have before local government reorganisation is implemented. Our pledge remains that we will always put residents at the heart of everything we do.”

The council’s senior management team also came in for criticism in the report. Inspectors said the team seemed “overly confident” and “appear to underestimate the scale of the financial risks”. Member challenges remain “limited” according to the report, with many councillors not fully understanding the risks at hand. Inspectors highlighted there was a “wider breakdown” of relationships between senior management and the political leadership.

The findings of the inspection highlight the council is failing to meet best value standards in five critical areas:

- Use of Resources;
- Continuous Improvement;
- Governance;
- Leadership;
- Culture.

Inspectors have published thirteen recommendations for Spelthorne:

1. Commissioner-led intervention
2. Comprehensive commercial strategy
3. Review and strengthen asset management
4. Review of the Council’s Minimum Revenue Provision
5. Revised Medium-Term Financial strategy
6. Debt reduction strategy
7. Transformation strategy development
8. Review and strengthen finance function
9. Improvement and recovery plan
10. Revised Corporate Plan
11. Audit Committee structure
12. Culture and relationship building
13. Housing delivery

### **Emily Dalton**

Spelthorne Borough Council offices in Knowle Green, Staines. Credit: Emily Coady-Stemp

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### **Chris Caulfield** compares Woking and Spelthorne:

The “critical” state of Spelthorne Borough Council’s finances means it must cut at least £8.6 million from its budget by 2028. To put that into perspective, bankrupt Woking Borough Council made £8.4 million in cuts last year in an effort to right its own mess. It managed it by cutting 20 per cent of its workforce, scrapping all grant funding to community groups, and shutting services such as public toilets.

Spelthorne Borough Council’s finances are “unsustainable”, with a £1 billion pound debt and a falling income stream. It means the authority must also cut millions in services to avoid the catastrophe of bankruptcy. The damning critique of the north Surrey council’s situation was published today, Monday, March 17, on the back of a best value review into the way the borough has been managed.

Spelthorne Borough Council, like Woking, borrowed heavily to invest in property and used the income to pay for services above and beyond what it could have otherwise afforded. And, again like Woking, it failed to put enough money aside to cover the cost of debt interest repayments.

“In essence, the council’s revenue budget is under far greater pressure than recognised by the council. Inherent risks are beginning to materialise, and could accelerate rapidly”, the Spelthorne Borough Council: Best Value Inspection report read.

It comes as the government confirmed it was proposing an intervention package, including appointing commissioners to oversee changes in how Spelthorne Borough Council is run because the borough lacks experience needed to make the cuts and had “no credible strategy in place to achieve savings of this level.”

Spelthorne has to shed £8.6 million from 2028/29 budget. Last year Woking Borough Council – the only local authority with a higher per capita debt than Spelthorne – achieved £8.4 million in savings.

This is how residents and community groups in Woking were affected. It is being used to paint a picture of what cuts at that scale look and feel like

**How Woking achieved its savings.**

- Centres for the community and day care facilities closed and merged
- Sports pavilions transferred to sports clubs to take over and “ensure as many of these facilities can remain open”.
- Grants to voluntary and community groups stopped
- Woking Community Transport reduced but reviewed annually as part of the council’s Medium-Term Financial Strategy.
- Grounds maintenance and street cleaning services scaled back to statutory levels.
- Independent living and family services transferred to Surrey County Council or other boroughs, which means they will continue to operate as normal with no impact to services users.
- Business liaison and support services will be scaled back
- All public toilets closed, except those located in Victoria Place and Wolsey Walk in Woking Town Centre.
- Fees and charges increased
- Loss of up to 60 council staff
- Council tax was also increased that year by 10 per cent. Since then it has risen by a further 2.99 per cent.

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## Epsom & Ewell ranks in the middle of Surrey Councils’ tax charges

1 May 2025



Residents will face another jump in council tax bills from April 1 as local authorities have announced their budgets for the coming year. Surrey County Council, the Police and Crime Commissioner, and each of the county’s 11 districts and boroughs, confirmed their increases separately last month, with council tax bills and collection being the responsibility of the districts and boroughs.

Police and Crime Commissioner Lisa Townsend confirmed a rise of £14 per year for residents amid an increase in national insurance contributions and officer pay rises. While Surrey County Council, responsible for adult social care as well as services including road repairs and schools, increased its tax by 4.99 per cent on Band D homes.

Meanwhile, many local authorities have had to make tough decisions to balance the books. Councils slammed the government for giving an ‘unkind’ or ‘difficult’ financial settlement, meaning they have had no increase in spending power. Inflation, wage rises and rocketing costs for employer’s national insurance contributions have all pulled at the

seams of councils' pockets.

	Borough Council	Band D
1	Woking	£ 2,482.03
2	Reigate and Banstead	£ 2,448.79
3	Elmbridge	£ 2,442.06
4	Surrey Heath	£ 2,439.20
5	Tandridge	£ 2,436.24
6	Epsom and Ewell	£ 2,416.84
7	Spelthorne	£ 2,412.78
8	Waverley	£ 2,397.78
9	Guildford	£ 2,388.01
10	Mole Valley	£ 2,381.20
11	Runnymede	£ 2,380.06

Table created by Epsom and Ewell Times

## Could Woking's debt be shared by you after reorganisation?

1 May 2025



Chris Caulfield of the BBC's Local Democracy Service brings us the latest twist in the awful Woking Borough Council debt crisis. Its £2.1 billion debt accumulated under a Conservative administration from unwise property dealings. The Labour Government is driving forward a reorganisation of Surrey's local government and there is anxiety that Woking's debt will be spread to a wider Council tax payer base as a result. Could Epsom and Ewell householders end up paying for the mistakes of Councillors they did not elect?

Even if bankrupt Woking Borough Council sold everything it owned, it would still be more than **£1.5 billion in debt**. The huge figure was published as part of the ongoing reports Government commissioners must produce on the broken borough as it goes through the painful process of rebalancing its books.

The report stated that while the council, which declared itself bust in 2023 following a disastrous regeneration program that saddled residents with huge tax rises and massive service cuts, was taking steps to sell off its assets, the level of debt was still such that it needed significant government support. Published on March 6, the report revealed that the council had a core spending power of £16.9 million a year - but servicing its £2.1 billion debt was costing £1.3 million a week in interest alone.

"Even if everything else could be disposed of, the level of overhanging debt would still be significant, over £1.5 billion, as the level of debt far exceeds the value of assets," the report stated. It added that some assets, such as the council's social housing valued at £400 million, had to be retained. However, if the council did nothing, the annual interest costs and loan servicing would average £70 million and £73 million a year respectively, "which would add significantly to the level of debt."

The council was granted Exceptional Financial Support for the next two years, allowing it to cover interest and other revenue costs. However, the commissioners warned: "With no ability to repay the exceptional financial support through asset sales, let alone all the legacy debt, the position is not sustainable. Work is underway to determine the best exit strategy from the commercial legacy, which we are engaging with government on, and it is recognised that a long-term financial solution will not be in place for the 2025/26 budget process. However, the current position is not viable, and commissioners are keen to continue engaging with government on the route forward."

Responding on behalf of the Ministry of Housing, Communities and Local Government, Baroness Taylor of Stevenage acknowledged the bleak situation but stated that the department was reassured Woking Borough Council was committed

to radically overhauling its operations. Serious concerns remained over the task ahead and the potential impact on the impending reorganisation of local government – the dissolution of Surrey’s boroughs, districts, and county council, to be replaced with either two or three larger unitary bodies with an elected mayor.

Baroness Taylor wrote: “I share your concerns about the capacity of the council to deliver this programme of change and encourage you to work with the council and the ministry to consider how we can best enable the council to improve, for the benefit of residents. We have been clear with councils in Surrey that commissioners have a vital role, not only in supporting Woking to continue to improve but also in responding to the invitation to all principal authorities in Surrey to provide proposals for local government reorganisation, to ensure that proposals are robust.”

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## Council Finances Under Strain as National Insurance Rises and Reorganisation Looms

1 May 2025



A new report from the Local Government Information Unit (LGIU) has raised serious concerns about the financial sustainability of councils across England, including those in Surrey. The 2025 *State of Local Government Finance* report reveals that fewer than one in ten senior council officials are confident in the future stability of local government finances. With spiralling service demands and National Insurance Contribution (NIC) rises adding further pressure, councils are facing a perilous financial future.

The government’s plans for local government reorganisation are also causing alarm, with fewer than one in four council officials believing it will improve council finances. Only one in ten feel they have been properly involved in the process, while just one in five think the proposed timescales are realistic. The lack of clarity around reorganisation has left many councils uncertain about their financial future.

The LGIU report warns that 6% of councils could be effectively bankrupt by the end of this financial year unless urgent reforms are made. Without significant changes, that figure could rise to 35% of councils by 2030, meaning over 100 local authorities may be forced to issue Section 114 notices – the legal declaration of financial failure.

### Surrey Councils at Risk

Surrey’s councils are already feeling the strain. Epsom and Ewell Borough Council recently admitted that it faces severe financial challenges, while neighbouring authorities such as Surrey County Council and Guildford Borough Council have been forced to make significant budget cuts. Just last year, Woking Borough Council issued a Section 114 notice, effectively declaring bankruptcy due to unsustainable borrowing and financial mismanagement.

There are concerns over how the government’s reorganisation plans might impact Epsom and Ewell. If plans for widespread restructuring go ahead, smaller councils like Epsom and Ewell could face further financial uncertainty and potential absorption into larger authorities, reducing local accountability.

### Tax Rises, Cuts, and Borrowing

To plug the financial gap, councils across the country – including those in Surrey – are turning to drastic measures. The LGIU survey found that:

- 94% of councils plan to increase council tax
- 88% will raise fees and charges for services
- 22% intend to borrow more money

- 63% will reduce spending on services
- 56% will use their financial reserves to balance the books

For many councils, this will be the second year in a row of raiding their reserves - a short-term fix that is not sustainable.

In Surrey, these pressures have already led to service cutbacks. Epsom and Ewell Borough Council has warned that further reductions in public services may be necessary, while Surrey County Council is grappling with a funding gap running into tens of millions of pounds. The rising demand for temporary accommodation, adult social care, and children's services continues to place unbearable strain on local budgets.

## Calls for Urgent Reform

The LGIU report highlights near-total consensus among council leaders on the need for major financial reforms. A massive 92% of respondents support the introduction of multi-year financial settlements, which would allow councils to plan their budgets with greater certainty. Additionally, 77% of officials back council tax reform, while around 75% want more fiscal powers, such as the ability to introduce tourism taxes or local sales taxes, as seen in other countries.

Jonathan Carr-West, Chief Executive of LGIU, said:

“At the end of last year, the government made clear that devolution, reform of the local government finance system, and public sector reform should go hand in hand. Our survey shows in stark detail that they are not currently aligned in any meaningful way.

While there is some optimism about multi-year settlements, councils are deeply concerned about the impact of reorganisation and NIC increases on already overstretched budgets. Councils do not believe they have been given sufficient clarity, involvement, or time to prepare for these changes.”

The LGIU has called for the government to introduce a standing commission to oversee local government reorganisation and for councils to be given greater financial powers. Without urgent reform, councils across England - including in Surrey - face an increasingly bleak financial future.

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## Another Surrey Borough under financial strain

1 May 2025



“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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## What Epsom could do with Woking's £75 million bail out?

1 May 2025



Critical front-line services will be spared after a huge government 'bail out' was agreed, bankrupt Woking Borough Council has said. Officially referred to as Exceptional Financial Support for local authorities, Woking Borough Council has been given £74.9 million for the 2025/26 financial year on top of the £96.5million agreed for 24/25.

Woking declared itself effectively bust in 2023 with debts of about £2 billion. It forced the council to cut new spending, axe non-statuary services and increase tax by 10 per cent.

It used the money to build up what it hoped would be a significant investment portfolio but instead saddled itself with huge debt repayments costing tens of millions of pounds every year that it simply can not afford.

It has left the council relying on the Government to cover the cost of its heavy borrowing, known as minimum debt repayment. And this week came the news that it would receive all the money it has asked for - including a further £ 2.8million to cover the cost of providing services this year.

Had the Government refused completely the council would have ground to a halt. Councils also have to, by law, balance their books each year, and the £2.8m above and beyond debt repayment was agreed as it was viewed that Woking Borough Council has been doing what it can to reduce its spending.

This has included mass layoffs, the sale of assets, and finding partners to take over the running of others. Had any further cuts been made in such a short period of time, the results would have been ‘catastrophic’ to both the council and residents it had been said.

The government cash comes as part of 30 councils overall that have been given support to manage financial pressures – such is the widespread problem of local government finance.

Cllr Ann-Marie Barker, Leader of Woking Borough Council, said: “I welcome the Government’s decision to provide exceptional financial support. Critically, this will ensure that the council can meet its financial obligations relating to its £2.1 billion legacy debt without impacting front-line services and will allow us to set a balanced budget at a meeting of Council on Monday 3 March.

“We continue to urgently address the council’s legacy debt through work being undertaken as part of our Improvement and Recovery Plan on asset rationalisation, debt reduction and improved commercial governance.

“We remain committed to working alongside Commissions and Government to find a lasting resolution to our complex and challenging financial situation.”

In January 2023, an external assurance review covering Woking Borough Council’s governance, finance and commercial issues was carried out. It provided an external assessment of Woking Borough Council’s governance arrangements, financial situation, commercial investments and its capacity and capability to manage these.

The Secretary of State was not satisfied that the pace or scale of the council’s response was proportionate to the issues it faced and decided immediate urgent government action was required, – and On May 25, 2023, he decided to intervene and appointed the review team as commissioners.

By June that year the council declared itself bankrupt and by October, the Commissioners spoke of the gravity of the situation in Woking and the scale of the challenge the council faced.

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## Epsom & Ewell Borough Council: Financial Crisis or Manageable Deficit?

1 May 2025



Epsom & Ewell Borough Council is under increasing scrutiny following the resignation of Councillor **Alex Coley** (Independent Ruxley Ward) from the ruling Residents’ Association (RA) group. His resignation letter cites a failure to address the “unhappy truths” about the borough’s finances and warns that 2026 could be the year the Council “runs out of money”. But is this a political exaggeration, or do the financial documents substantiate these concerns? A recent 78-page financial report prepared for councillors at the end of January 2025 sheds light on the borough’s economic standing.

Cllr Coley, who has served in various leadership capacities—including Vice Chair of Audit & Scrutiny and Chair of Community & Wellbeing—states that despite his efforts to get clarity on the financial trajectory of the Council, he has been left without clear answers. His conclusion? The Council is heading for a financial crunch by 2026 with no viable plan in place to prevent it.

The specific concerns he raises include:

- Budget uncertainty for 2025/26 and beyond.
- Financial instability of Council-owned properties, which could have wider implications for the borough’s assets and revenue streams.
- A lack of a clear strategy to prevent the Council from exhausting its financial reserves.

## The Financial Report: Does It Confirm the Warnings?

The Financial Strategy Advisory Group's report (31 January 2025) is a key document shaping the Council's budget. Several aspects of this report support Cllr Coley's concerns:

### 1. A Deficit on the Horizon?

The Council's 2025/26 budget is delicately balanced, but its long-term financial plan suggests a deficit by 2026/27, growing further in 2027/28:

Year	Net Expenditure (£m)	Expected Income (£m)	Funding Shortfall (£m)
2025/26	10.27	10.27	0
2026/27	11.48	10.40	1.08
2027/28	12.24	10.72	1.52
2028/29	12.85	11.06	1.79

The projections indicate a potential funding crisis by 2026/27 unless new revenue streams or savings are identified.

### 2. Property and Investment Risks

- The Council relies significantly on income from its commercial property portfolio, including investments through Epsom & Ewell Property Investment Company Ltd (EEPIC).
- Rental income from commercial properties contributes £1.35m annually to the Council's budget, but there are concerns over sustainability if market conditions shift.
- In addition, £448,000 of this income is required to fund day-to-day services, raising questions about financial resilience.

### 3. Shrinking Government Support

- The New Homes Bonus (NHB), which has provided additional income, is set to shrink dramatically from £498,000 in 2024/25 to just £6,000 in 2025/26.
- The Government's Core Spending Power allocation to Epsom & Ewell Borough Council is effectively stagnant at £10.2m, meaning the Council is not receiving inflation-adjusted increases.
- The Fair Funding Review scheduled for 2026/27 could further reduce financial support for district councils like Epsom & Ewell.

### 4. Business Rates Volatility

- The Council is highly dependent on business rates, yet its share of retained rates is forecast to fluctuate. In 2025/26, it expects to retain £1.8m, but past years have shown this figure is not guaranteed.
- There is a £282,000 deficit in the business rates collection fund, a concern for future budgets.

## Council Tax Increases as a Stopgap?

To address some financial pressures, the Council is proposing a 2.98% increase in Council Tax for 2025/26, which would:

- Raise an extra £228,467.
- Increase the average Band D household bill from £226.17 to £232.92 per year.
- Be just below the government's 3% cap before requiring a referendum.

However, even this increase will not be enough to fully close the funding gap beyond 2025/26.

## What This Means for Residents

If Cllr Coley's concerns hold true, services could be at risk in 2026 and beyond. Potential consequences include:

- Cuts to local amenities, including cultural venues and community support.
- Higher fees for Council services, as seen in the proposal to increase charges by 6% in 2025/26.
- Reliance on reserves, which could lead to financial instability in the future.

## **Local Government Reorganisation: A Game-Changer?**

Surrey County Council has been advocating for the creation of a unitary authority, which would absorb district and borough councils like EEBC. This move could:

- Reduce Bureaucratic Costs - Eliminating multiple layers of government could generate savings.
- Redistribute Resources - EEBC's financial issues might be alleviated if its budget were merged with Surrey's broader funding pool.
- Dilute Local Control - While cost efficiencies could be achieved, decision-making might shift away from community-focused governance.

If reorganisation proceeds, EEBC's financial crisis may become a moot point as budget planning is absorbed into the county-wide strategy. However, if the process is delayed or abandoned, the borough must act independently to avoid financial distress.

## **Conclusion: A Crisis in the Making?**

While the Council insists its 2025/26 budget is balanced, the financial report confirms a growing structural deficit, aligning with Cllr Coley's warnings. The reliance on property income, shrinking government support, and an increasing budget gap suggest that by 2026, tough financial choices will be inevitable.

Cllr Coley's warnings are not entirely unfounded, but the financial data suggests that EEBC is not yet on the brink of insolvency. The real risk lies in the structural deficit and growing debt burden, which must be addressed through a combination of revenue generation, cost-cutting, and strategic planning.

The key question remains: What is the Council's plan beyond short-term fixes? Without a comprehensive long-term strategy, the borough may indeed be heading towards the financial cliff that Cllr Coley has predicted.

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