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

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.

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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.

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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.

Related reports:

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