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Guildford contemplates financial “Armageddon”.

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Guildford’s task to avoid issuing a bankruptcy notice requires “urgent” attention and councillors are branding the local council’s problems a “wake up call” – here’s everything we learned from a series of key meetings this week.

Guildford Borough Council is working to address its £300million of borrowing and an £18.3m projected deficit over three years.

Two crucial meetings this week have seen officers set out plans to combat rising costs of borrowing, in a situation compounded by an accounting error which made it look like the council had more in reserves than it did.

In March, the discovery of a £10m accounting error, along with other issues, led to a prediction that at the end of March 2024, the council would have £8.5m in its reserves. This was compared with a reported £32m in February 2023 when the budget for the year was signed off.

Below, the LDRS breaks down some of the key points from a meeting of the council’s corporate governance and standards committee on Tuesday (July 18) and its executive on Thursday (July 20).

Why are reserves so important?

Reserves are effectively a council’s savings, and may be used to balance a council’s budget when money coming in does not cover the money going out.

The drop in the expected reserves at Guildford is a large part of the problem, which could lead to the issuing of a **section 114 notice** at the borough council, effectively declaring itself bankrupt and stopping all non-essential spending.

Guildford’s executive head of finance told Tuesday’s meeting there is no legally required level of reserves that councils should maintain, but it came down to a “risk-based evaluation” of what he thought the council would need.

Peter Vickers said: “If an Armageddon happened and we got nothing in financially for a month or two, we still have to pay creditors etc. How much money do we really need? So it’s a risk assessment.”

The lead councillor for finance and property said in Tuesday’s meeting the problem for the council was not about cash flow but about servicing its debt, with borrowing costs “ballooning” and the council unable to afford them.

Councillor **Richard Lucas** (Lib Dem, Ash Vale) said the council was trying to avoid a section 114 notice, which could still come around in October when a new medium term financial strategy will be brought to the council. He said: “We will not deal with this by pretending there is no problem.”

What are the council’s options?

The council will look at all the assets it has available, and work out which could be sold off, with Cllr Lucas saying each asset would be reviewed in terms of how much net income they bring in and how much they could be sold for.

The council’s former leader, Cllr **Joss Bigmore** (Residents for Guildford and Villages, Merrow), raised concerns in Tuesday’s meeting that officers were painting “too negative a picture” in conflating issues linked to the authority’s council housing and general spending. He told officers: “If that’s because you want to focus our minds, it’s worked. But I don’t think it’s fair. I think this is slightly muddled.”

Cllr Bigmore said the council had strong options for capital assets it could sell off, that would not be done as a “fire sale” but would be about choosing to sell certain investments in favour of others that may be more profitable. He added: “We have a lot of options. It will be a colossal failure of this council if we have to issue a section 114 in October, because we have options.

“We’re not a Woking. There are a lot of things we can do between now and then. So I have every confidence, if we work together we can do it.”

Other plans laid out by officers include “strict controls” on new spending, and the creation of a dedicated financial task force at a cost of £2m.

Mr Vickers confirmed no council housing would be sold off as part of the measures.

Who could be affected?

Councillors raised concerns about the impact on residents if services were to be cut, and particularly in the event of a section 114 notice being issued.

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Residents in Croydon have seen a 15 per cent increase in their council tax after the issuing of a section 114 notice there, and neighbouring Woking is currently consulting its residents on which services they would like to see prioritised amid warnings up to 350 staff could be made redundant.

Mr Vickers said on Tuesday the council had to “focus on the vulnerable”.

With a legal obligation to protect the essential services that the council delivers, he said: “It’s not as simple as saying we’re just not going to spend money. We don’t get that option to be frank.”

While he said he did not want to prejudge what may be coming down the line, Councillor **Bob Hughes** (Conservative, Tillingbourne) said: “This is something that’s going to affect everybody in this borough. People will lose services, there are going to be problems, there could even be, as has happened at some other councils, large increases in council tax.”

What happens next?

Though the increased costs of the Ash road bridge and the 1,500 home **Weyside Urban Village** were put forward by officers as contributing to the problems, for the bridge at least, the cost of stopping would be the same as to continue on.

Cllr Lucas said the same was true for a key part of the Weyside Urban Village project in relocating a Thames Water sewage works, but that the overall project was likely to see changes down the line.

He said borrowing costs on the project would “balloon” after the point the medium term financial plan is set to look at, but councillors will be looking at the longer-term implications for the plan in due course.

At a meeting on Tuesday July 25, all councillors will debate the officers’ action plan for turning things around.

Cllr **George Potter** (Lib Dem, Burpham) called the recommendations being made a “wake up call” on the “crisis” the council found itself in. He said: “I’m really pleased with the transparency we’re showing here, with the fact that we are putting as much as we possibly can in the public domain. We’re being very frank and honest about the seriousness of this situation and we are being very clear about the scale of a challenge, and very clear about the scale of what might need to be done in order to deal with it.”

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Image: Weyside Urban Village. GBC/JTP design and access statement.

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