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Will Epsom and Ewell be bailing out Guildford?

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A Surrey council faces tough decisions in the future after receiving a “very difficult financial settlement from the government”.

Guildford Borough Council has no extra funding to meet inflation and demand pressures, meaning it will have to cut costs and increase income to make ends meet. Cost pressures looming over the council stand at over £3m, with National Insurance increases and developments causing the most strain.

The local authority said it has been told the settlement it would receive from the government for the financial year 2025/26. However, the “significant change” for the next year is Guildford council will not have a cash increase despite an assumed council tax rise of 2.99%.

Even though residents and businesses may face increased council tax and business rates, without extra government funding, the authority’s overall “Core Spending Power” will remain the same,” the council’s report stated.

No additional funding is coming to meet the cost of pay awards from the central government, inflation and demand pressures. Guildford Council is therefore reliant upon cost reduction and increasing income to meet these costs. Richard Bates, Guildford Council’s Chief Financial Officer, said: “In the light of a poor settlement, we’ve done the best we can.”

The projected budget gap is expected to grow from 0 in 2025 to potentially £5.9m in four years (2028/29) with a at least a £1.6m increase every year, Service costs from the council are projected to rise from £16.4m in 2025/26 to potentially £20.3m in 2028/29.

Council officers said they will be looking to attack the gap with a series of measures, including budget reviews across the board, service reviews, and comparing charges (e.g. Car parking) with neighbouring councils.

Cost pressures facing the council currently stand at around £3.18m, with the biggest demands coming from firstly the rise in National Insurance and then capital spending on developments.

National Insurance (NI) increases were announced in the Chancellor’s autumn statement and the combined cost of these changes adds up to around £1,000 per employee, according to council documents. Not only affecting public bodies, the rise in NI costs could impact contractors and suppliers to the council and push up costs further.

The government is providing some support to public sector employees, but the actual amounts were not announced as part of the provisional settlement. The Ministry of Housing, Communities and Local Government said it plans to put £69bn into council budgets across England.

Paying for the council’s “ambitious” building programme is a significant part of the financial gap, with large amounts being borrowed for major schemes like the Weyside Urban Village development. However, the cost of borrowing has increased significantly since many of the major schemes in the capital programme were approved, in line with the council’s report.

Although the 10-year-project will require significant borrowing, the council is managing the levels of debt by selling assets. Officers have warned that a borrowing strategy for the next few years will be “critical” to ensure interest costs are minimised and that long term deals are secured at competitive and affordable rates.

However, the Chief Finance Officer said in his report that the “on-going inflation pressure on land values leave a significant projected deficit on [the Weyside Urban Village] scheme”. He added that a “mitigation strategy needs to be agreed in Spring ’25”.

A decision on the council’s medium term budget (2025/2026- 2028/29) will be made at full council on February 5.

Outside Guildford Borough Council (Credit: Google Street View)

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