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Dear Prime Minister, Chancellor and Secretary of State

Financial Crisis in Local Government

As the Leaders of two high performing, financially well run and long respected County Councils, we write jointly to you today to highlight in the strongest terms, the financial crisis facing upper tier local government over the next few years.

For both Hampshire and Kent we are facing budget deficits over the next few years of a scale that has never been seen before. We are writing to you now because without some immediate help and a clear plan for long term financial sustainability we are likely to be considering Section 114 notices within the next year or so.

The recent announcements of no changes to current settlements over the spending review period, no Fair Funding Review and the lack of a new two-year deal for local government only increases our concern, and we fully expect to see more failures in the sector over the coming year, unless there is legislative change to revise our statutory obligations to match the reduced level of resources, such as flexibilities.

County Councils carry out many important functions on behalf of Government (which both Covid and the Ukraine crisis have clearly demonstrated) and are well placed to help stimulate and grow the economy, particularly in the South-East where we already contribute significantly to the exchequer. Our ability to continue to do this will be severely limited if we are forced to move to a bare minimum provision across our vital services.

The problem is simple: the additional money that we can raise from council tax and business rates barely covers the normal inflationary pressures that we face each year. This leaves significant growth, particularly in adults' and children's social care, totally unfunded.

Without a fundamental change either in the way in which these two services are funded, or in our statutory obligations, all of upper tier local government will soon go over the cliff edge. Furthermore, this year's inflation, as well as the forecast for next year, is well above normal levels. Legislative change is also long overdue to reform out-dated and under-resourced statutory obligations, such as the legislation from the 1940s to provide Home to School transport provision and the requirement on us to provide a comprehensive library service which is based on legislation from the 1960s.

You will no doubt argue that you have heard this from the sector before, but the current perfect financial storm, on top of 12 years of reductions in our core budgets, not to mention the crisis in Special Education Needs (SEN) and the potential added pressures of the Social Care Funding Reforms means that there is nowhere left to go, although we welcome the potential announcement to delay the reforms and hope this gives the Government time to better understand the implications for the sector.

We are both looking at how far we can go in closing our future budget deficits both revenue and capital; whilst there are some options for generating savings, most of these are going to be very unpalatable and will impact on some of the most vulnerable in our society.

However, even with these drastic cuts to services, we do not believe we can close our future budget gaps, based on current forecasts and will need to consider entering into formal talks with our auditors, DLUHC and Treasury over the coming months.

We believe that our common experience demonstrates that this is not an issue that can be resolved by one-off handouts that will keep the sector limping along; that offers only a recurring cycle of service cuts, and even that looks impossible to deliver beyond the shortest of horizons. Fundamental changes to the funding or expectations - or both - of local government are needed.

We have both consistently asked for the same things from Government for many years, in order to put us on a long term sustainable financial footing:

- Annual increases in funding that match the growth in adults and children's social care services or legislative change to reduce the demands on the service
- Full funding of the Social Care Funding Reforms and Special Educational Needs growth, both of which are new burdens imposed by Government
- Freedoms and flexibilities around council tax setting and charging for services
- Legislative change that can help local government help itself.

Whilst we fully recognise the difficult national economic environment, we cannot sit by and let two great counties sleep-walk into a financial disaster and we would welcome discussions with Ministers, our MPs and Government officials as soon as practicable, as we have to finalise our budget by mid-December at the very latest.

We look forward to your response and for the opportunity for some meaningful dialogue in due course.

Yours sincerely



Roger Gough
Leader of Kent County Council
Member for Sevenoaks North
and Darent Valley



Rob Humby
Leader of Hampshire County Council

Copy to : All Hampshire and Kent MPs