

Leader of the Council



**Steve Jarvis
County Councillor
Royston West and Rural**

County Hall
Postal Point: CHO147
Pegs Lane
Hertford
SG13 8DE

T: 0300 123 7492
E: steve.jarvis@hertfordshire.gov.uk
Date: 15 August 2025

Dear Deputy Prime Minister,

Hertfordshire County Council's response to the Fair funding Review Consultation

Further to our detailed response to your consultation, I write on behalf of Hertfordshire County Council, and the residents we support, to raise our significant concerns regarding your Fair Funding Review proposals.

For clarity, we support the overarching principles of the Fair Funding Review which seeks to move funding to those councils which have the highest need and the principle that people who can afford to pay for services should do so where appropriate. We also recognise that a review of local government funding arrangements is needed and was a clearly stated aim of this Government.

We welcome proposals for a three-year settlement to bring some financial certainty to councils. However, the modelling we have seen makes it clear that the current proposals generate significant shifts in funding which will create high levels of volatility in local services across the country. For Hertfordshire, this modelling indicates that the proposed methodology will result in a significant grant reduction for the county council of between £47m and £54m.

However, the proposals provide no ability for us to address this loss of income meaning that there will be a distinct and negative impact on the residents of Hertfordshire, especially the most vulnerable people in our communities.

Hertfordshire context

In Hertfordshire, we have seen an unprecedented increase in both the demand for, and cost of our services. Our location next to London means we compete against London weighting in our direct and indirect labour costs, which account for 75% of our adult social care spend. This is a key element in driving inflation costs of over £154m

we have incurred from care providers in the last five years and is not reflected in the funding we receive.

Like many other councils, our financial position is significantly impacted by the acknowledged under funding of the SEND system. In Hertfordshire, EHCP pupil numbers have increased by 79% over the past five years compared to 64% nationally. At the same time our funding per head for this service has been between the 2nd and 5th lowest in the country. Our High Needs Block deficit is accelerating, and interest on the deficit in Hertfordshire is predicted to rise to over £17m per annum in the next three years, which hits our bottom line and compounds the problem.

Constraints on public funding have meant that we are continually driving efficiencies and making savings. Over the last decade we have delivered over £283m of cost reductions of which over 88% are efficiency gains. This year we are implementing programmes to save a further £42m, rising to £95m by 2027/28. We have consistently increased our council tax by the maximum permissible amount without a public referendum, and our medium-term Financial Strategy assumes this will continue.

Whilst Local Government Reorganisation will provide some opportunities for further efficiencies this will not be delivered in the timescale of the spending review period.

With no means of addressing our fund raising capacity, we simply cannot manage a grant reduction of this scale.

What this means for our residents

Reducing the Government grant we receive by potentially £54m will have a real and noticeable effect on the services our residents receive. £54m is the equivalent of nearly 10% of our overall annual adult care budget or nearly 20% of our spend on children's services. It is more than we spend in a year on the Fire and Rescue Service (£45m) and on day-to-day highways maintenance and filling urgent potholes (£35m).

As we have already planned to increase our council tax at the maximum level our only option is to reduce spend on services. We will not be able to cover this grant reduction through efficiencies alone, and therefore there will impact a direct impact on the:

- 14,000 children we support through education, health and care plans (EHCPs);
- nearly 1,000 children we have in our care at any one time;
- 25,000 adults we support through adult social care;
- over 5,000 adults with disabilities we support; and
- the 18,000 residents we supported to leave hospital last year.

Similarly, it will impact on our planned work on supporting economic growth in the county, and our ability to plan and design the infrastructure needed to deliver further housing in line with the government's ambitions.

Our key asks

As outlined in the response to the Fair Funding Review consultation we have submitted today, there are some potential changes to the Fair Funding proposals that would help reduce the damaging impact to local government services in Hertfordshire and your growth ambitions for the country. These are:

- **Deprivation measures** - Existing deprivation measures used tend to have an urban bias. We would suggest that rural deprivation (lack of social housing, car dependency, poor public transport and lack of access to health and social services) is included within need assessments and reflects the additional cost of rurality.
- **Resource equalisation** – The current proposals in effect assume 100% council tax equalisation. This is a significant increase on the previous level and a major factor in the scale of funding change. Councils do not have the ability to increase council tax above the 5% limit set by government without a public referendum but this would be necessary to enable the adjustments that this equalisation would suggest. We would therefore propose that equalisation is not extended to the full 100% level. We also note that the collection rate is assumed at 100%, and this should be included at a more realistic rate.
- **Dampening and floors** - Current proposals include a 0% core spending power floor. This is well below the level of inflation and cost pressures we are facing. It also fails to avoid the huge volatility that the new fair funding formulae produces. It would seem sensible to raise this floor, say to 4%, to reduce that volatility, especially in councils with adult and children's social care functions where demand and costs are outstripping inflation indices. In previous funding formulae changes dampening payments have been funded by a maximum cap being applied to annual increases. A similar funding approach for dampening payments would be a fairer solution here.
- **Extend implementation timescales** – an extension of the funding reforms from three to five years would help align the benefits being delivered by Local Government Reorganisation with the reductions in funding. This alignment would help protect frontline services from significant cuts as back-office efficiency will be more achievable by the end of the first two years of the new unitary councils.

While we support the principles of the fair funding review and welcome the three year settlement proposal, I hope the information above sets out the immediate difficulties that will arise for our residents in Hertfordshire and, indeed across the country. We have sought to provide constructive feedback and some potential solutions to mitigate the worst of the impact. We would welcome the opportunity to meet with you to discuss further.

Yours sincerely,

County of opportunity

Steve Jarvis

Steve Jarvis
Leader of Hertfordshire County Council