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Surrey County Council claim funding review “unfair”.

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A Surrey County Council could be pushed to the brink of financial crisis if government reforms, aimed at evening out local authority funding, go ahead, its leader has warned. Cllr **Tim Oliver** (Conservative) said Surrey County Council could be heading towards a “cliff edge” under proposals which could dramatically reduce Surrey’s income. The central government is looking at scrapping the current council tax funding model in favour of a national 100 per cent ‘equaliser’ system where each local authority gets the same amount of funding. The Conservative leader’s warning came during a cabinet meeting on July 22, where he suggested the government’s ‘Fair Funding Review’ would hit Surrey harder than most councils due to its higher council tax base.

The central government has launched a review into how local councils are funded across the country, called the fair funding review. Reports suggest the government could go ahead with a 100 per cent “equaliser” for local government income, meaning every council essentially gets the same level of council tax income. “There will be at some point a cliff edge for this council,” the Conservative leader warned colleagues. “There is an expectation we will look to our residents to fill that gap. That gap won’t be filled – can’t be filled – even if we were to increase council tax by 5 per cent.” Currently, Surrey has a high council tax base meaning it has more band H houses, paying at least £3,692.70 in 2025, compared to other parts of the country.

The funding reforms under consideration could flatten out this advantage by reallocating resources away from wealthier counties like Surrey and towards lower-income authorities. Cllr Oliver warned the resulting drop in funding would not be completely offset by any increase in local council tax, leaving the council with a growing deficit and fewer levers to pull. “It’s absolutely essential that we drive efficiencies wherever possible,” he said. “Otherwise this council like many others I’m afraid will be in section 114 territory where we simply cannot have a balanced budget.” A Section 114 notice effectively means the council’s expenditure outweighs its income. As councils cannot go ‘bankrupt’ it stops the authority from spending any more money except from its legal responsibilities.

Despite the stark and solemn warnings, Cllr Oliver said the council was committed to avoiding that outcome and praised the authority’s efforts over the past six years to manage finances. He said: “Whether that’s lobbying the government or managing our budget locally […] to make sure we can continue to provide services to our residents but that is going to be challenging.”

But government ministers would argue the current local government system is “broken” and outdated, with council tax bands still based on 1991 property values. A statement from the secretaries of state on the Fair Funding Review said: “Our reforms will take into account the different needs and costs faced by communities across the country, including adjusting for the costs of remoteness faced by rural communities, and the ability of individual local authorities to raise Council Tax, while also resetting business rates income. It will update the crucial formulae used to calculate funding allocations, which are a decade out of date.”

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Tim Oliver Surrey County Council leader – Surrey Live

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