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The Rt Hon Rachel Reeves MP  
Chancellor of the Exchequer  
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Via email : [CEU.Enquiries@hmtreasury.gov.uk](mailto:CEU.Enquiries@hmtreasury.gov.uk)

Dear Chancellor

**Re: Budget consultation - securing sustainable local government and enabling growth**

I write on behalf of North Somerset Council to contribute to your Budget consultation. Like the Local Government Association (LGA), we strongly welcome the renewed relationship between central and local government, and the commitment to partnership embodied in the new Leaders' Council. Local government stands ready to help deliver your priorities - economic growth, thriving communities, better life chances for children, and a fairer society.

Yet, as the LGA, the Institute for Fiscal Studies, and the House of Commons Local Government Committee have all made clear, this partnership can only succeed if councils are financially sustainable and empowered to raise and manage resources locally.

**The scale of the financial challenge**

Our latest Medium Term Financial Plan here in North Somerset shows a £25.9 million budget gap in 2026/27, rising further by the decade's end. Over 2025–28 we must deliver £40 million in savings simply to balance the books. Under current Fair Funding Review proposals, our Settlement Funding Assessment may fall by £17.4 million (19.8 %) by 2028/29.

North Somerset's tax base is historically low, limiting our ability to raise revenue. We are among the lowest Band D council tax authorities in the South West, and our capacity to close this gap is restricted by government capping rules. Our capital commitments add to revenue pressure.

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These pressures are not unique. As the LGA notes, councils collectively face an £8.4 billion funding gap by 2028/29, and one in six social care authorities now rely on Exceptional Financial Support simply to set a balanced budget. This is no longer “exceptional” - it signals a system under strain.

Despite these challenges, councils remain vital to delivering national priorities. Across England, councils are:

- **Driving growth**, unlocking housing and jobs, and leveraging local investment.
- **Supporting families and children**, from early years to SEND and youth provision.
- **Reforming health and care**, pioneering prevention and tech-enabled support.
- **Leading on climate action**, achieving outcomes more efficiently through local delivery.

As the LGA argues, empowered and sustainable councils are indispensable to achieving your Budget's objectives.

### **Policy alignment and asks**

Drawing on the LGA, IFS and Commons committee findings, we set out below five areas where national reform and local flexibility must go hand in hand and we urge you to consider implementing these changes as part of your budget.

#### **1. Reform and devolution of local taxation**

- Begin the process of council tax and property tax reform, modernising valuations and improving fairness, as urged by both the LGA and IFS.
- Provide councils flexibility over council tax: the power to set rates locally, revalue properties, adjust bands, and apply targeted surcharges (for example, on higher bands or second homes).
- Introduce a multi-year catch-up mechanism allowing councils with historically low Band D levels to converge gradually toward the national average.
- Allow retention of all additional revenue locally without clawback.
- Involve local government directly in the design of any future property tax reforms.

#### **2. Stabilise adult social care and invest in prevention**

- Provide an immediate funding injection to stabilise adult social care.
- Commit to funding fully the outcomes of the adult social care Fair Pay Agreement.
- Ensure local government has a formal voice in the Adult Social Care Negotiating Body.
- Invest in prevention trailblazers and technology-enabled care. Evidence shows every £1 invested in prevention can save more than £3 in later costs.
- Protect the ringfenced Adult Social Care grant until a sustainable national framework is in place.

### **3. Address structural deficits and unfunded mandates**

- Write off Dedicated Schools Grant high-needs deficits, as the LGA recommends, to relieve cashflow pressures and avoid unsustainable borrowing.
- Place the New Burdens doctrine on a statutory footing, covering cost increases as well as new duties.
- Fully compensate councils for cost impacts of national policies such as employer NIC rises or statutory pay settlements.
- Review statutory service expectations to ensure councils are not held to unfunded obligations.

### **4. Enable long-term stability and reform of the funding system**

- Guarantee multi-year settlements with effective transitional protection during implementation of Fair Funding Review changes.
- Adopt a minimum five- to six-year transition period, deferring implementation until April 2027.
- Expand the Exceptional Financial Support framework to include structural deficits, not just short-term shocks.
- Permit limited capitalisation flexibilities where councils have credible financial recovery plans.

### **5. Empower councils as partners in growth, devolution, and reform**

- Commit to a cross-party review of local government funding, including new freedoms on local taxes and charges.
- Support a Local Labour Market Fund, combining employment, skills, and health initiatives after the end of the Shared Prosperity Fund.
- Make preferential Public Works Loan Board rates for social housing permanent, and extend low-interest loans to councils without housing revenue accounts.
- Fund councils to deliver climate action and Warm Homes plans, with devolved control and outcome-based accountability.
- Move toward a prevention-first public service model, restoring the Public Health Grant and enabling joined-up funding across health and social care.

### **Why this matters**

The LGA has made the case powerfully that financially sustainable councils are not a cost to the Exchequer but a strategic asset for national reform and growth. The same message is clear from the Commons committee: unless councils have adequate resources and freedoms, even the best-managed authorities will face the impossible choice between breaking the law or breaking vital services.

For North Somerset, the risk is acute. Without flexibility and fair funding, and even if we engage with Exceptional Financial Support from government, we will be forced into reactive service reductions that undermine prevention, economic growth, and local trust. With autonomy and partnership, we can do far more - supporting your fiscal and social ambitions alike.

.../4 NSC re: Budget Consultation

I would welcome the opportunity to meet with you or your officials to discuss how these proposals could be implemented in practice, and to ensure that well-managed councils like ours can continue to serve residents effectively and sustainably.

Thank you for your time and for considering this submission.

Yours sincerely

A handwritten signature in black ink that reads "Mike Bell". The signature is written in a cursive, slightly stylized font.

**Cllr Mike Bell**  
**Leader**  
**North Somerset Council**

cc :

Daniel Aldridge MP  
Sadik Al-Hassan MP  
Tessa Munt MP