

Fair Funding Review 2.0

Question 1) What are your views on the updated SFA resulting in zero allocations, and the use of mitigations to avoid zero allocations?

It is hard to conceive that councils could provide statutory services just through Council Tax alone. This is especially the case if the analysis that determines there is a zero allocation is based on a notional Council Tax amount and the council's actual Council Tax is significantly lower than that. A minimum funding amount should be available to all authorities to avoid a zero/negative allocation.

Negative values imply that council tax income is being transferred from one part of the country to fund services in another. Local taxpayers will be rightly concerned if their local council tax is being used in this way. We would welcome the use of mitigations to avoid zero allocations, particularly for smaller authorities like district councils where even modest funding reductions can have significant service impacts.

This is especially true given the increase in cost of service provision from higher levels of inflation, increased employer NIC and the increase in minimum wage levels. All of which affect our sub-contractors as well as our own operating costs. The increase in the cost of statutory services has the potential to outstretch council tax revenue. The NAO's 2025 report 'Local government financial sustainability' states that funding increases in the last 10 years have not kept pace with rising demand and rising costs of service provision. '... while real terms funding has grown by 4% between 2015-16 and 2023-24, it has not kept pace with population growth or the demand for services, the complexity of need, or the cost of delivering services to people most in need of support.'

Many of the services we provide might be considered as preventative (e.g. leisure centres, home adaptations for older and disabled people, and timely intervention for those at risk of homelessness). Without adequate funding for these services there is likely to be a greater funding burden at a later date.

This change comes at the same time as Local Government Reorganisation, which has its own demands in terms of finance, which are unlikely to be realised through Council Tax alone. Contractors will be aware that the life of some councils is limited and are therefore likely to bid for contracts with that in mind. These changes also come with an increase in demand for staff time, when our workforce has already been the subject of efficiency savings.

Question 2) Do you agree with how the government proposes to determine the Council of the Isles of Scilly's Settlement Funding Assessment?

No View.

Question 3) Do you agree with the government's plans to simplify the grant landscape?

Neither agree nor disagree.

In theory, simplification should make sense. However, in practice some councils may lose what, for them, is vital funding if it is consolidated with the Revenue Support Grant (RSG).

We have several points to raise about the detail of the approach:

- To be able to make proper use of the greater simplicity and flexibility, councils will need more details of the new arrangements promptly, and in any event, before the provisional finance settlement.
- It is important this simplification approach is applied to grants from all Government departments, not just MHCLG.
- Any grants provided outside the main settlement should have allocations announced for multiple years. Otherwise, the usefulness and certainty of the multi-year settlement will be undermined.
- Where consolidated grants are created these should be distributed via a new formula and this formula must be consulted on openly and in plenty of time. There should be minimum standards for the process of determining new distributions, with full transparency about how formulas have been developed, and the data/calculations that have been used to determine allocations. Some of the recent grant allocations (e.g. Extended Producer Responsibility Guarantee in 2025-26) have fallen short of these minimum standards.
- There should be a full schedule and timetable of all existing grants that will be rolled into the consolidated grants or into the main settlement over the next 3 years.
- The consultation is not entirely clear about the treatment of new burdens funding. It appears to indicate that all existing new burden grants will be rolled into the main settlement (RSG) and allocated according to Settlement Funding Assessment – unless there is an exception because the grant has a specific distribution. We would welcome clarification that this is the case. If it is, we are concerned that this approach will lead to some councils not receiving the full amount of reimbursement for the additional costs they necessarily incur as a result of specific Government requirements. The entire point of new burdens is to reimburse councils for the specific cost they incur. We cannot see how this principle can be maintained if new burdens funding is distributed according to the main Settlement Funding Assessment. This gets the balance wrong between simplicity and fairness.
- We have concerns about future new burdens, especially in the context of funding for weekly food waste collections. Paragraph 3.2.4 of the consultation indicates that ‘future new burdens will continue to be funded through new Section 31 grants, in line with the New Burdens Doctrine’ rather than rolled into the main settlement. DCN’s view is that funding for food waste collections is a future new burden (it is certainly not an existing new burden) and should be allocated by Section 31 grant with a clear distribution methodology that has been consulted upon. We would welcome clarification that this is the case. If this funding stream is rolled into the settlement at some future point, transitional arrangements should shield councils from any significant cliff edge difference between the allocation methodology used for the specific grant and the distribution using Settlement Funding Assessment.
- MHCLG should publish a full list as soon as possible – and certainly well before the provisional settlement – of all existing new burdens grants and any imminent new burden grants that will be rolled into the main settlement.

Question 4) Do you agree with the formulae for individual services the government proposes to include?

Neither agree nor disagree.

The proposals appear reasonable, but without exemplifications as to how this affects this council it is not possible to judge whether they fairly represent our costs of service delivery.

Question 5) Do you agree with the areas of need the government proposes to no longer include in the assessment through the Foundation Formula?

Disagree.

There is a fixed cost to running a council regardless of size, and this should be reflected in the Foundation Formula. The existing Fixed Cost Adjustment ensures the relative costs of employing basic operational staff is recognised as a baseline for all local authorities regardless of size. Analysis conducted during the 2018 consultation indicated that the fixed cost uplift should be retained and should be weighted at least three times higher.

Question 6) Do you agree with the government's approach to calculating the control total shares for the relative needs formulae?

Agree.

The proposals appear reasonable, but without exemplifications as to how this affects this council it is not possible to judge whether they fairly represent our costs of service delivery.

However, in theory we support the methodology used to calculate control totals. It is right that they are determined based on actual spending patterns. We support using the most recent data on actual expenditure i.e. from the latest post-audit RO return. This was the approach proposed in the 2018 consultation.

In addition, we support splitting the foundation formula control total using the expenditure patterns in shire county areas which have district and county councils. This is the only expenditure data that clearly shows the relative spend of the two types of council.

Question 7) Do you agree with the Labour Cost Adjustment (LCA) and Rates Cost Adjustment (RCA) equations?

Neither agree nor disagree.

Agree that there should be adjustments for labour costs and rates costs, and there is a logic to the equations, but without exemplifications it is not clear whether the equations will adequately compensate councils for the actual additional costs they face due to these factors.

Question 8) What are your views on the proposed approach to the Area Cost Adjustment?

In theory, the approach appears reasonable but without exemplifications it is not clear whether councils will be adequately compensated for the actual additional costs they face due to these factors.

Question 9) Do you agree or disagree with the inclusion of the Remoteness Adjustment?

Agree.

Do you have any evidence to support or contradict the theory that rural areas face additional costs due to separation from major markets?

N/A

Question 10) Do you agree with the government's proposal to set a notional Council Tax level at the national average level, to achieve the objective of full equalisation?

Disagree.

Using a notional Council Tax level penalises councils that have a historically low level of Band D Council Tax, where there is in effect a Council Tax cap in place in the form of the referendum limits. Using a notional Council Tax level would make more sense if there was genuine freedom for councils to set Council Tax. Otherwise the Government is forcing councils to operate at below the level of resources it has calculated are a minimum.

Question 11) Do you agree with the government's proposal to fully include the impact of mandatory discounts and exemptions in the measure of taxbase?

Agree.

Question 12) Do you agree with the government's proposal to use statistical methods to proxy for the impact of Working Age Local Council Tax Support in the measure of taxbase?

Agree.

Question 13) What are your views on the proposed statistical approach to proxy for the impact of Working Age Local Council Tax Support?

Approach appears reasonable, provided there is sufficient evidence to substantiate its use.

Question 14) Do you agree with the government's proposal to assume that authorities make no use of their discretionary discount and premium schemes in the measure of taxbase?

Agree.

What are your views on the proposed statistical approach to proxy for the impact of Working Age Local Council Tax Support?

No View.

Question 15) Do you agree with the government's proposal to apply a uniform Council Tax collection rate assumption to all authorities?

Agree.

Any uniform Council Tax collection rate assumption should not be set at 100%, as this is an unrealistic assumption for councils. The collection rate assumption should be based on the average national rate of collection.

Question 16) Do you agree with the government's proposal to split or allocate the resource adjustment in multi-tier areas according to the average share in Council Tax receipts in multi-tier areas?

Neither agree nor disagree.

It is not clear why an attempt at averaging out the tier splits in Council Tax receipts has been chosen when data exists for counties and districts on their actual Council Tax levels per tier – why couldn't that be used? The use of averages increases the risk that resource adjustment will be based on flawed assumption. In addition, we would welcome clarification as to whether or not the 11.0% share for district councils includes the parish precept

Question 17) Noting a potential trade-off of an increased levy charged on business rate growth for some local authorities, do you agree that the level of Safety Net protection should increase for 2026-27?

Agree.

Question 18) Do you agree with the government's proposal to end the New Homes Bonus in the Settlement from 2026-27 and return the funding currently allocated to the Bonus to the core Settlement, distributed via the updated Settlement Funding Assessment?

Disagree.

The proposals taken together will see some district councils in high housing growth areas have their core revenue spending power either frozen or reduced. This will be compounded if they have a low Band D Council Tax, as the funding formula assumes they will earn more from Council Tax than they actually can given Government referendum limits. This means some councils will see core funding reduced, despite having more properties and thus increased costs, which the New Homes Bonus did help alleviate.

Question 19) What measures could the government use to incentivise local authorities to specifically support affordable and sub-market housing?

Local authorities do support the indirect delivery of affordable and sub-market housing through their Local Plans, which require a percentage of any new housing developments to be made available for affordable rent, social rent, or shared ownership.

A range of measures could be used, including:

- Targeted grant funding – offer dedicated Capital grants that councils can only access if they prioritise affordable housing in their planning and delivery.
- Funding for SMEs – provide councils with monies to help fund local small housing groups to diversify how housing is provided at the local level.
- Senior management – make the senior management housing role in local housing authorities a statutory function (in line with the Social Housing Act 2023).
- Cheaper loans for affordable housing – give councils access to low-interest loans specifically to support affordable housing projects.
- Improve Section 106 – strengthen Section 106 rules to ensure affordable housing commitments are not reduced during viability assessments.
- Set targets and reward results – introduce national targets for affordable housing delivery and link targets to incentives based on council performance.
- Boost staffing – fund extra staff in local planning teams to speed up and support the delivery of affordable housing.
- Continuation of the Local Authority Housing Fund – to support councils in affordable housing delivery.
- Review Housing Revenue Account (HRA) threshold – increase the HRA threshold from the current 199 properties to reduce the accounting burden on councils and overcome financial sustainability issues with small HRAs.
- Support for small Local Authority Registered Providers (LARPs) – provide dedicated support for LARPs with less than 200 properties to grow and develop their service and stock holding.

Question 20) Are there any further flexibilities that you think could support local decision-making during the transitional period?

A standard mechanism to allow all councils below average or notional Band D Council Tax to increase their Council Tax by more than the current referendum limits so as not to be disadvantaged by the introduction of the notional Council Tax, especially for those councils at or below the funding floor.

In addition, Capital Receipts flexibility to enable their use for transformation costs.

Question 21) What are the safeguards that would need to go alongside any additional flexibilities?

None.

Question 22) Do you agree or disagree that we should move local authorities to their updated allocations over the multi-year Settlement?

Agree.

Please provide any additional information, including the impact this measure could have on local authorities' financial sustainability and service provision.

This will help councils avoid an immediate cliff edge – to not do so will increase the number of councils seeking Exceptional Financial Support. However, councils moving to reduced resources may need a longer transition period.

Question 23) Do you agree or disagree that we should use a funding floor to protect as many local authorities' income as possible, at flat cash in each year of the Settlement?

Agree.

Noting ongoing inflationary and service pressures that affect all councils, as outlined elsewhere in this consultation response, a flat funding floor for all councils should be the minimum here as councils on the floor will need to take decisions on what to prioritise given their costs will continue to increase.

Question 24) Do you agree or disagree with including projections on residential population?

Agree.

Question 25) Do you agree or disagree with including projections on Council Tax level?

Agree.

Question 26) Do you agree or disagree with including projections on Council Tax base?

Agree.

Question 27) If you agree, what is your preferred method of projecting residential population, Council Tax level and Council Tax base? Please provide any additional information, including any explanation or evidence for your response and any views on technical delivery.

We agree with these projections in principle, subject to the data used being reliable and accurate.

In areas which are as fast-growing as ours, it is helpful to factor in residential population projections - however it is difficult to express a preference as to the method of calculating them, as there are many different options and data sources. National ONS datasets are unlikely to factor in the number of new homes planned in a particular council area, whereas in Oxfordshire locally created housing-led spatial projections do factor in data on the number of new homes

planned/permitted. However, locally created housing-led datasets may not be universally available across different council areas. Our preferred method for calculating projections is therefore likely to be one which translates across different geographies and can be applied equally across all local authorities to ensure parity.

While future funding should be cognisant of increases in population and tax base, as a council that may be on the funding floor it is worth pointing out that under that policy we will not be recompensed for the increased costs that come with population growth.

Question 28) Do you agree with the proposed above approach to determining allocations for areas which reorganise into a single unitary authority along existing geographic boundaries?

Agree.

Question 29) Do you agree that, where areas are reorganising into multiple new unitary authorities, they should agree a proposal for the division of existing funding locally, based on any guidance set out by central government?

Agree.

Question 30) Do you agree that the government should work to reduce unnecessary or disproportionate burden created by statutory duties? If you agree, what specific areas of statutory duties impose significant burden without significant value for residents?

Agree.

There are many statutory processes within local government which require review and modernisation to ensure they are fit for purpose. For example, requirements to publish documentation such as planning applications and Member allowances in hardcopy newspapers is costly and does not reflect the increasingly digital age we live and work in. Similarly, the statutory requirement to print hardcopies of agendas and councils' Forward Plans for public inspection at council offices does not necessarily reflect the way in which many people choose to consume this type of information online. Printing is costly and does not support councils in their climate change ambitions. The processes around Compulsory Purchase Orders also require simplification, which would make them less resource-intensive.

The production and audit of the annual statements of accounts, required to be prepared to IFRS and audited as such, bring a considerable burden to local authorities and unless this is addressed, the issues arising from the local audit backlog may not be resolved.

As a key commissioner and purchaser of services, local government procurement is a vital component of councils' activity. However, issues such as inflation and other price increases, supply chain disruption, market failure, and increasing demand pressures increases the burdens on local government, including the time required to successfully procure – or in some instances, having to re-procure. The procurement restrictions on local authorities can impede its ability to be agile (particularly when compared to commercial companies) and react quickly to changing need.

Question 31) Do you agree with the proposed framework outlined at paragraph 11.2.3 for assessing whether a fee should be changed?

Disagree.

Local government should be free to set fees and charges that ensure its costs in delivering the services are met, except where Government determines those services where it can justify that fees chargeable to the public can be subsidised from the public purse.

Question 32) The government invites views from respondents on how best to balance the need to maintain fee values and the original policy intent of the fee whilst minimising cost of living impacts for service users.

No View.

Question 33) Do you agree that the measures above provide an effective balance between protecting charge payers from excessive increases, while providing authorities with greater control over local revenue raising?

Agree.

Question 34) Do you agree that we should take action to update fees before exploring options to devolve certain fees to local government in the longer term?

Agree.

Question 35) Do you agree or disagree that these are the right relative needs indicators?

No View.

Are there any other Relative Needs Indicators we should consider?

N/A

Question 36) Do you agree or disagree with including population projections in the ASC formula, when published, that have been rebased using Census 2021 data?

No View.

Question 37) Do you agree or disagree with our proposal to include a Low Income Adjustment (LIA) for the older adults component of the ASC RNF model?

No View.

Question 38) Do you agree or disagree that the overall ASC RNF should combine the two component allocation shares using weights derived from the national ASC net current expenditure data on younger and older adults (in this case 2023 to 2024)?

No View.

If you disagree, what other weightings would you use? Please provide details for why you would use these weights and what data it would be based on?

N/A.

Question 39) Do you agree that ethnicity should be removed as a variable in the CYPs formula?

No View.

Please explain your reasoning.

N/A.

Question 40) Do you agree overall that the new formula represents an accurate assessment of need for children and family services?

No View.

Please share any reflections or suggested changes.

N/A.

Question 41) Do you believe that the components of daytime population inflow should be weighted to reflect their relative impact on demand for services?

No View.

Question 42) Do you agree with/have any comments on the design of the Foundation Formula?

No View.

Question 43) Do you agree with/have any comments on the design of the Fire and Rescue Formula?

No View.

Question 44) Do you agree with/have any comments on the design of the formula for Highways Maintenance?

No View.

Question 45) Do you agree with/have any comments on the design of the formula for Home-to-School-Transport?

No View.

Question 46) Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?

Any potential equalities impacts of the proposed changes should be fully explored and assessed by the Government as part of its policy-making process to ensure there is no disproportionate impact on those with a protected characteristic. Through engaging with other local authorities, there is particular concern related to councils at or below the 'funding floor' - in that they may be forced to take decisions relating to discretionary and preventative services that may have a detrimental impact on those with a protected characteristic due to having more limited resources available, and therefore no feasible alternative option in some cases.