

Local Government Reorganisation (LGR) – complexity of disaggregating funding in a multi-unitary business cases

1. The government has announced its intention to create multi-unitary arrangements in four counties (Suffolk, Norfolk, Essex and Hampshire) in 2028-29. With the exception of Essex, all the proposed unitary arrangements will use a combination of existing district boundaries and parish boundaries.
2. Disaggregating funding between new unitaries is an important and challenging aspect of implementing new unitary authorities. In the recent past, new unitaries have either been single county unitaries, or two-unitary arrangements (plus new fire authorities in some counties, where applicable). Disaggregating funding in the latest round of proposals will be particularly challenging because:
 - County funding will have to be split between more than two new unitaries
 - District funding will also have to be split into at least two unitaries (in some cases, districts will be split into three unitaries)
 - Funding for both county and district services will have to be split based on parish boundaries where districts are being split
3. It is important that funding disaggregation is accurate and robust because this will form the budgets for all the new unitaries. The new unitary authorities will have to agree between themselves how to split the existing funding. This will be based on their own modelling with, in practice, very little help from MHCLG and other government departments. The new unitary authorities will not receive their own funding allocations from central government until the next funding review (likely in 2029-30).¹
4. If the funding disaggregation is “wrong” then there will be a mismatch between funding and spending, and potentially a significant step-change in funding when allocations are next reviewed.
5. By deciding to implement multi-unitary arrangements, the government is creating a much more challenging and complex task for these counties, with the heightened risk that funding is misallocated. Some new unitaries are more likely to be under-funded as a result, with significant risks to services and financial viability, at least in the short term.

Unitary structures

6. The proposed structure for unitaries in 2028-29 is very different from the pattern in previous LGR rounds.

¹ Some government departments still continue to pay grants to legacy councils years after their abolition.

- Over the past decade, new unitaries have been created in 6 counties, three of which became single county unitaries and three two-unitary counties. New fire authorities were created in two of these counties (Northants, Cumbria).
 - The pattern of new unitaries in 2009 was similar, albeit 6 of the 8 counties were single county unitaries. New fire authorities were not created in any of these areas.
 - A county has not been split into more than two unitaries since the multi-unitary split in Berkshire in 1998. In that reorganisation, 6 unitaries were created, all of which were on existing district boundaries (so there was no district disaggregation). No new local government boundaries have been created since 1974 (all have followed existing district and county boundaries).
 - In 2028-29, the government is proposing creating 17 new authorities (including 3 fire authorities). In comparison, only 21 new authorities (including fire authorities) have been created over the last two decades.
7. It is worth underlining just how unusual it is to split counties into more than one new unitary: there have been no counties split into more than two since Berkshire (in 1998), which split into 6 (very small) unitaries. So, the recent experience of multi-unitary LGR is effectively nil: local government, Whitehall, consultants have no experience of multi-unitary splits. Furthermore, the sheer number of new councils that will be created is so much greater than any other recent LGR round. There is a risk that there is neither the capacity nor know-how to deliver these new unitaries in the timescale available.

Accuracy of two-unitary splits

8. There is a reasonably strong track-record for authorities splitting funding between two new unitaries (and fire authorities). In recent years, this has taken place in Northamptonshire and Cumbria.²
9. One way of checking the accuracy of the disaggregations in those counties is to compare them with the funding shares awarded in the Fair Funding Review 2.0 (in 2026-27) (**Table 1**). If the funding disaggregations were inaccurate, we would see very different shares of funding in 2026-27, with big shifts between the unitaries. Of course, there were changes in funding distribution in 2026-27 which will explain some (or even all) of any change in funding share.
10. In both Cumbria and Northamptonshire, the two unitaries received a higher share of SFA in 2026-27 than 2025-26. The cash value of these variances was relatively small (around £1m in all cases). In both counties, the fire authority received a much lower share. The variances indicate that the split of county funding was accurate in both counties. The

² The Cumbria funding disaggregation was undertaken by Pixel, and the Northamptonshire disaggregation by LG Futures.

variances for the fire authorities are (probably) the result of the scale of rolled-in funding within SFA in 2026-27.

Table 1 – Previous funding disaggregation (Cumbria, Northamptonshire)

	SFA 25-26 (share %)	SFA 26-27 (share %)	Cash effect of variance (£M)
North Northamptonshire	49.4%	51.1%	1.1
West Northamptonshire	43.5%	45.2%	1.1
Northamptonshire Commissioner Fire and Rescue Authority	7.1%	3.7%	-0.3
Cumberland	55.8%	57.3%	1.2
Westmorland and Furness	36.5%	38.3%	1.0
Cumbria Fire	7.7%	4.3%	-0.4

11. Our view is that disaggregating funding for two unitaries based on existing district council boundaries can be undertaken with a high degree of confidence.³ But the new formulas represent a very different level of complexity, with formulas that are harder to interrogate, and with datasets that lack transparency. And of course, the ward-based boundaries introduces a new set of risks.

Review of individual RNFs and formulas

12. All the Relative Needs Formulas (RNFs) have been replaced in 2026-27. Some formulas are now simpler, and there are fewer indicators. But others are more complicated and rely on datasets that are not publicly available.

- Children’s Services. New formula using child-level datasets that are not available publicly. Not possible to disaggregate without disaggregated data from government departments.
- Adult Social Care (ASC). New formula based largely on publicly available datasets. Some of the data is available at the ward/ parish level (Census) but some will not be (benefits data). Council tax bandings will also have to be allocated to each new unitary authority.
- Foundation formula. New formula based on population, visitor numbers, Index of Multiple Deprivation (IMD), and ACA. Population is based on publicly-available

³ Note that DfE made an error in incorporating Cumbria’s schools disaggregation into the national funding model: <https://www.gov.uk/government/publications/national-funding-formula-nff-2024-to-2025-independent-review>. So, the greatest risk might lie in work undertaken by the government departments themselves rather than by local authorities. Local authorities might want to manage or validate the disaggregation of these funding streams as well, or seek assurances from the relevant government departments that their funding disaggregations are accurate.

datasets (visitor numbers too). IMD and ACA are available on a district basis, but would have to be recalculated by government departments on the new boundaries.

- Highways Maintenance. New formula largely based on road length (plus traffic flow). Data is locally held, but not clear how easy it is to disaggregate.
- Home-to-School Transport (HTST). New formula based on data held by government departments.
- Temporary Accommodation (TA). New formula based on data held by government departments.
- Fire and Rescue Services. This RNF will not have to be disaggregated.
- Area Cost Adjustment (ACA). ACAs would have to be recalculated by government departments, although in practice the ACAs on a district or county basis might be sufficient.

13. The most significant risks are to children's and ASC funding. These are the largest RNFs and it is essential that the disaggregation is accurate (children's 23% of RNF, ASC 37% of RNF). It will not be possible to disaggregate children's funding with the data that is currently publicly available, and this is as a result the most significant risk. Risks from HTST and TA are lower because their values are lower (3% and 2% respectively). Foundation Formula and Highways Maintenance are heavily reliant on datasets (population, road lengths) that can be accurately allocated to wards. The risk of not being able to recalculate ACA is relatively small.

14. Many local government funding experts have found the new RNFs very difficult to replicate with the data and descriptions that have been published by MHCLG. This increases the risk that funding is incorrectly disaggregated.

15. Based on past experience, central government gives local authorities the responsibility for agreeing a funding split. Given the nature of the new RNFs, in many cases, the government might have to provide some of the RNF splits, or at least disaggregated datasets. In our view, local authorities involved in LGR should get a commitment from the appropriate government departments that they are able and willing, where necessary, to provide disaggregated funding allocations and/ or datasets.

Using wards for new boundaries

16. Disaggregating funding on parish or ward boundaries is very difficult, although the same principles apply as when you are disaggregating to district boundaries; it is just much more complicated, and many of the datasets are not available on a ward or parish basis. Has MHCLG determined which datasets used within the new RNFs are available by parish or ward?

17. Defining the new unitaries by parish is unexpected given that not all areas are parished and that there is much greater data availability by ward than parish. Even if the

proposing authorities are using parishes, why has MHCLG gone along with that? Has MHCLG analysed the datasets that are available by parish and by ward? Would it be possible to translate the parish boundaries into wards? Does this make much difference in terms of data or outputs? Is there a legislative preference for parishes over wards?

18. This is a brief review of the data availability at ward and parish level:

- Census and population. All data is available by ward and by parish. Population projections are not available for wards or parishes.
- Index of Multiple Deprivation (IMD). IMD values are published at county and district level. Disaggregating for non-district boundaries will have to be provided by MHCLG.
- Visitors and commuters. Data is available at county level only, although MHCLG has split the data for districts (not published). Disaggregating for non-district boundaries will have to be provided by MHCLG.
- ACA. ACA values are published at county and district level. Disaggregating for non-district boundaries will have to be provided by MHCLG.
- Benefits data (DWP). None of the data is available at parish level, although it is all available at ward (and lower super output area).
- Public health data. Standardised Mortality Ratios (SMRs) are available at Middle Layer Super Output Areas – but these do not map to parishes (or wards).
- Bespoke datasets (HTST, Temporary Accommodation, children’s datasets). Authorities might be able to replicate some of this data locally.
- Locally generated datasets (e.g. highways, traffic flow). This data is mostly available locally but there will have to be a specific local data collection exercise (e.g. traffic flow).

19. Will MHCLG disaggregate some of these datasets and make them available (where they have been generated by MHCLG themselves), or from other government departments (e.g. DfE)?

20. The more that new unitaries have to impute data, or use existing district datasets, the greater the risk that funding allocations are mis-stated.

Local taxbases (council tax and business rates)

21. Taxbases will also have to be disaggregated, which has not been the case before.

Previously it has always been able to disaggregate using the district authority (billing authority) taxbases without any adjustments.

22. Has there been consultation with the revenues providers about how they will split revenues systems and databases? How quickly can the VOA amend its valuation lists to provide lists on the basis of the new authorities? Has VOA been consulted on whether

they are capable of providing BR and council taxbases for new unitaries will in advance of 28-29?

23. Billing authorities should, however, be able to use post-code data to disaggregate both its local taxbases (council tax and business rates) and the Council Tax Support (CTS) caseload, but in both cases this will take significant work from the billing authorities.
24. Council tax harmonisation can be more challenging because residents in some wards will be moving to a unitary based on a city council, where the Band D is (possibly) much higher.

Conclusion

25. There is a significant risk that the disaggregation of funding for the new multi-unitary areas is inaccurate and leads to material levels of under- or over-funding for new unitaries.
26. Whilst recent LGR rounds has shown that funding has been disaggregated between two unitaries with reasonable accuracy, there are strong grounds for concluding the task will be much more difficult for multi-unitary areas in 2028-29:
 - There is no recent experience of disaggregating funding to more than two unitaries in a county area. There is also a question mark about whether there is sufficient capacity to set up 17 new authorities in one financial year. These concerns apply to government departments, local authorities, and consultancy support.
 - The new RNFs following Fair Funding 2.0 are difficult to replicate. Datasets and calculations for the new RNFs have not been published, and the explanatory notes are unclear. Unless MHCLG can supply more data or calculations, there is material risk that funding is inaccurately disaggregated.
 - Some of the new RNFs rely on data that is not publicly available (Children's, Temporary Accommodation, HTST). Unless this data is either supplied to authorities, or disaggregated for them, it will not be possible to disaggregate funding accurately. Risks are particularly acute in Children's Services (23% of "needs" funding).
 - Disaggregating funding on non-district boundaries makes the challenges even greater. Many of the datasets (except those from the Census) are simply not available at parish level. Availability of ward-level data is better, but there will still be some significant data gaps.
 - For the first time, authorities will also have to disaggregate local taxbases (council tax, business rates), and Council Tax Support payments, and also the first time the benefits systems have been split.
27. It is not clear whether MHCLG has assessed the data availability for the proposed new unitaries, particularly where non-district boundaries have been proposed. Local

authorities should be pressing MHCLG for an assessment of the data availability, and a commitment to provide either source data or disaggregated data where necessary.

28. Our view is that creating new unitaries on non-district boundaries will be many times more difficult than using existing district boundaries. If ministers are going to go ahead with it, then it needs a properly thought-through plan, and timescales need to be realistic.

Adrian Jenkins

Pixel Financial Management

23 April 2026

adrian@pixelfinancial.co.uk