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# Consultation Response

*The Fair Funding Review 2.0*



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**August 2025**

## The Fair Funding Review 2.0: Consultation

### County Councils Network, Society of County Treasurers and Association of County Chief Executives Joint Response

#### *Executive Summary*

- CCN welcomes the publication of the consultation on funding reforms. The current funding system is out-of-date and urgently needs to be updated. Over recent months the network has engaged positively with the Government as it has developed these proposals. Having scrutinised this consultation in the time made available, we acknowledge that the document and supporting information does provide significant detail in which to examine the Government's proposals and put forward a broad response on the impact of our member councils.
- However, there remains severe limitations in the ability of representative groups and individual councils to obtain a comprehensive assessment of the proposals due to consultation lasting only eight weeks and significant gaps in relation to certain aspects of proposed formulae (i.e. children's) and the weightings of indicators (i.e. foundation formula). Most importantly, the Government have chosen only to publish need-shares, with no financial exemplifications forthcoming. This has forced the CCN – alongside other representative bodies and individual councils – to rely on internal or external modelling to assess the potential impact of the proposals contained in this consultation.
- In setting out our position and response to this consultation, our modelling suggests a very wide range of potential outcomes for our member councils. CCN is seeking to put forward a position that balances this, ensuring those that gain reach their target allocation as soon as practically possible, while recognising the overall financial sustainability of all our member councils. Importantly, our response is also contingent on our modelling estimates provided by Pixel being approximately correct and any further ministerial changes do not alter this position to the detriment of our member councils.
- **CCN recognise that, overall, the Government has delivered a more balanced approach to its proposals than many of our member councils may have feared.** Many of the changes that are proposed within the need-assessment of this Fair Funding Review (FFR) consultation are based on evidence and appear technically sound. By adopting this approach in line with the principles of the Review, and responding to the advocacy of CCN, our members estimated needs-assessment has increased from 34.9% in 2013/14 to 37.9% in 2026/27. This means the gains from the new needs assessment for CCN member councils are estimated at over £2bn. In particular, we support:
  - The **adult social care formula** appears to have been largely based on the PSSRU/ University of Kent research, which was fully supported by CCN and should be implemented in full. Alongside this, we strongly support proposals to roll-in all social care grants within Settlement Funding Assessment (SFA).
  - The **home to school transport** formula and the overall approach to the design of the needs assessment (though we do not support the arbitrary capping of travel distances at 20 miles).
  - **The new elements that have been introduced into the Area Cost Adjustment (ACA).** The Accessibility and Remoteness adjustments recognise the higher unit costs that are incurred in authorities with high levels of sparsity, and which are remote from competitive markets.
- Our estimates of the combined changes in our Core Spending Power (CSP) forecast modelling shows that if every council was to increase council tax by the maximum permitted before a referendum, CCN member

councils would have an above average increase in CSP over the three-year period. However, there is a wide variation in the outcome at individual authority level amongst our members councils. While 22 county and CCN unitary authorities would have CSP increases above the average, some 16 councils would have a below average increase.

- Modelling suggests that the 22 county and CCN unitary member councils see rises in grant funding totalling £845m over the three-year period. Nonetheless, the gains amongst a significant cohort of these councils are extremely modest, particularly given the reliance on presume council tax rises of 5% to achieve estimated increases in CSP. On average, these authorities will still derive 70% of their increase in CSP from council tax rises, with some as high as 99%.
- **However, we remain concerned about the impact on, and the sustainability of, a number of our members given the impact of these proposals.** Modelling suggests that 16 county and CCN unitary member councils will see reductions in grant funding of £470m over the period, with their CSP rises entirely funded through council tax rises. This means for these 16 authorities their three-year increase in CSP would be below the funding floor of 0% without presumed council tax rises and damping. Instead, one third of presumed council tax income raised in these areas over the three-year period is needed to offset phased losses to prevent them falling below the 0% funding floor.
- **In total, across 38 county and CCN unitary councils, grant funding will rise by just £374m, with 90% of the total increase in CSP for these councils coming through maximum 5% council tax rises.** Without council tax rises of 5% over the next three years, our modelling shows that 33 of the 38 county and rural unitary authorities would see a real-terms reduction in funding.
- Some of those authorities that suffer the largest reductions in real terms are those authorities that would have, inevitably, seen some reductions in resources under the previous Government proposals due to resource equalisation, the removal of previous damping arrangements, and other baseline effects. However, there are clearly decisions, such as full equalisation, that disproportionately and unfairly increase the potential financial losses for these councils, while reducing the overall gains for most of our member councils.
- **Given the existing funding gap, wider pressures facing council finances, and disproportionate reliance on council tax for CCN member councils to fund CSP increases over the next three years; insufficient resources were made available at the Spending Review (SR) to smoothly implement changes of this scale and nature.** This is especially so for councils delivering sensitive social care services, with a national profile. It is simply unrealistic to expect major social care authorities to provide these services, now and in the near future, while receiving significantly below average CSP increases over the next three years and ultimately reductions in Government grant. Even those seeing funding increases will still face an extremely challenging funding outlook, with rising costs outstripping new funding. **Government must therefore take steps through providing significant further additional funding to help protect county and CCN unitary authorities from reductions in funding and reduce the overall dependency on council tax to fund increases in CSP over the next three years.**
- Alongside the necessary increase in the quantum of resources; it is clear from our analysis that, while our member councils assessed need has increased overall, and the impact is more balanced than many of our councils had anticipated, there are a number of proposals that are detrimental to our member councils and which counteract the positive impact of the needs assessment. There are therefore individual proposals within the consultation that this response seeks to challenge, based on principle, disproportionate impact,

or because MHCLG has not supplied evidence to support the proposal. These are detailed in response to the consultation questions, but the key areas include:

- We are very disappointed with the Government's proposal to implement **full (100%) resource equalisation**, which we believe is unprecedented in England. Combined with a collection assumption of 100%, this results in an effective rate of equalisation in excess of 100%. Council taxpayers in our member authorities already fund a far greater share of local services than average. Carrying our further equalisation only exacerbates this position. The decision to carry out full equalisation in 2026-27 also breaks with the previous approach in 2013-14 when only 85% of council tax was equalised. Council tax is a local tax, and at least some of this locally raised income should be retained locally and left outside the scope of equalisation. Our analysis suggests that 32 of the 38 county and CCN unitary councils are losing over £400m *additional* funding as a result of the move from 85% to 100%. In the context of the Government's target to build 1.5 million homes, retaining an element of council tax is important as it increases the incentive to build new homes (this is especially relevant post-New Homes Bonus). In response to the consultation published in December 2024, almost half of those who responded (49%) supported partial or no equalisation. Only 1 in 4 (23%) supported full equalisation. There was therefore little support across the sector for the course the Government has proposed. We set out that the government should lower the level of equalisation and amend the proposed equalisation methodology, including the presumed collection rate.
- For many of our members, the funding reforms will challenge their **financial sustainability**. We ask MHCLG to demonstrate how it is assessing the financial sustainability risks of councils. Although CCN members overall appear to have received a more balanced outcome from the proposed funding reforms than many of our member councils had anticipated, there are still many CCN authorities who will have significant real-terms cuts in their funding. Annual cash-terms increases of 1-2%, or even below this, will not be sufficient to set balanced budgets over the medium term, and few CCN members have below average Band D, meaning larger council tax precept increases (to catch up to the average) are not possible. What assessments has MHCLG undertaken, and can these be shared?
- For social care authorities, our starting point is that the calculation of the 0% **damping floor** should be based on flat assumptions for council tax, or at the very most in line with CPI inflation. We therefore believe the government should lower the presumed rate of council tax rise included in the funding floor calculation. We also believe the government should consider increasing the level of the funding floor for social care authorities outside the 49 councils with specific arrangements. This should be funded through new additional resources. Both full Band D increases at referendum principles and taxbase growth should not be built into the damping floors. Moreover, if there are further changes to the proposed consultation package which result in significant negative impacts on our member councils, or the outcome for our councils is worse than our modelling estimates suggest, we will want to see further changes to the **transition arrangements** to provide more protection. These could include extending the transition timeframe to 4 or 5 years. In the absence of clear exemplifications on the operation of the transition arrangements, CCN/ACCE/SCT will want to discuss these matters with the department in advance of the provisional settlement.
- We are concerned about the **very high weightings for deprivation within the Foundation Formula and the evidence base underpinning them**. Previous analysis by MHCLG (in the 2018 consultation paper) showed that the bulk of the variation in expenditure on Foundation Formula services could be explained by population, and that deprivation should be given a weighting of no more than 4% for upper-tier services or 0.4% for lower tier services. Based on Pixel analysis, it appears the weighting for deprivation in the proposed foundation formulas is considerably higher than this, with the uplift estimated at around 38% for metropolitan authorities. We ask MHCLG to explain why it is not using this

previous analysis to inform the proposals, departing from the agreed principles that require an evidence-based approach.

- The **children's services formula** is hugely redistributive, and almost every CCN member will receive a lower share of this RNF than it does now. It is impossible to check the data and formulas that have been used. To command confidence of the sector, the Department for Education (DfE) needs to provide much more transparency about how it has determined the new formula and the data that has been used; it needs to explain why the new formula results in such a different distribution of funding.

## **Introduction**

1. This is a joint response from the County Councils Network (CCN), Society of County Treasurers (SCT) and Association of County Chief Executives (ACCE). The 37 CCN members, 41 SCT members and 37 ACCE members are drawn from the same county and unitary councils representing rural parts of England, collectively representing 47% of the population of England and providing services across 87% of its land area.
2. You can find details of CCN's membership [here](#), SCT membership [here](#), and ACCE membership [here](#). Hereafter, 'CCN' or 'the network' refers to CCN, SCT and ACCE jointly.

## **Overview**

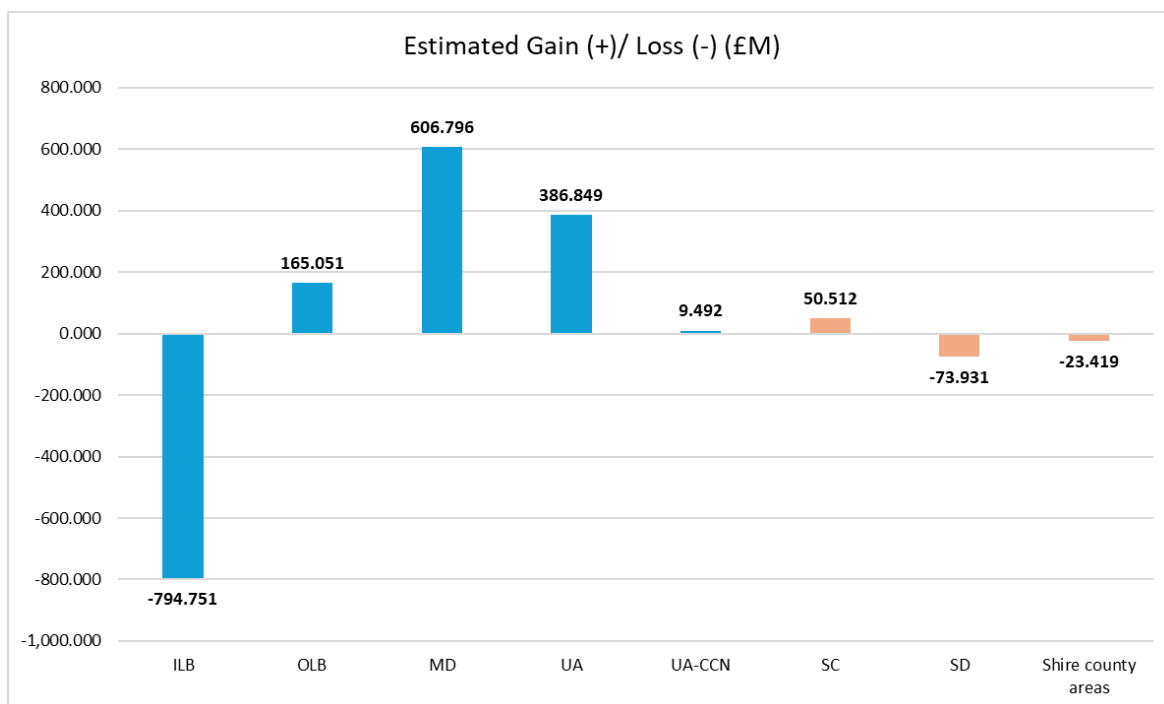
3. CCN welcomes the publication of the consultation on funding reforms. The current funding system is out-of-date and urgently needs to be updated. Over recent months the network has engaged positively with the Government as it has developed these proposals, and we welcome this opportunity to respond to this consultation on behalf of our member councils.
4. In February, our response to the first consultation set out that we broadly welcomed the overall approach to principles and objectives of the proposed funding reforms. The principles were largely unchanged from the 2018 consultation, and many of the same building blocks have been used, for example within the new Relative Needs Formulae. CCN supported a continuation of the 2018 proposals, even though we recognised that some of our member authorities would not necessarily have benefitted from those earlier proposals.
5. Building on these principles, this consultation sets out the Government's full proposals. In our initial response to these proposals in June, CCN set out that ministers have taken some welcome steps to recognise the needs of county and rural unitary authorities. This included acting on our calls for a new 'remoteness' indicator to better reflect the additional costs of providing services in rural areas and proposing a service specific formula for home to school transport. It also appeared that the Government has accepted our calls to update the adult social care formula building on previous academic research.
6. However, given that the consultation runs to over 100 pages, is accompanied by ten detailed technical annexes and includes no exemplifications of its overall financial impact, the CCN highlighted that it would take time for us and our member councils to fully assess the implications of these detailed proposals. More so than ever, the devil is in the detail when judging whether these proposals are truly fair.
7. Having scrutinised this consultation in the time made available, we acknowledge that the document and supporting information does provide significant detail in which to examine the Government's proposals and put forward a broad response on the impact of our member councils. However, there remains severe limitations in the ability of representative groups and individual councils to obtain a comprehensive assessment of the proposals.

8. Firstly, the consultation period (8 weeks) is very short. Normally for a consultation of this size and complexity we would have expected a 12-week consultation. As a result, given the lack of information shared prior to publication and lack of exemplifications, there is insufficient time to fully consider these consultation proposals. Given the scale of the proposals that are being consulted on, MHCLG should have publicly shared more of the technical content of the proposals before the consultation.
9. Secondly, there are significant parts of this consultation where the lack of detail or supporting information severely hinders our ability to accurately assess the impact of specific proposals and scrutinise the decisions of ministers. This is particularly so in relation to certain aspects of proposed formulae (i.e. children's) and the weightings of indicators (i.e. foundation formula). We have sought to model these elements as far as possible, but there are limitations due to the lack of clarity provided.
10. Most importantly, the only way to fully assess the fairness and financial impact of these proposals on our member councils would be through the Government providing financial exemplifications. Instead, the Government has chosen only to publish need-shares, with no financial exemplifications forthcoming. This has forced the CCN – alongside other representative bodies and individual councils – to rely on internal or external modelling to assess the potential impact of the proposals contained in this consultation, particularly regarding their impact on financial sustainability and other important policy agendas, such as local government reorganisation (LGR).
11. As such, to support the network and its member councils, CCN commissioned Pixel Financial Management (Pixel) to assess the potential impact of the combined proposals on our member councils and inform our response. The modelling by Pixel builds on a well-established forecasting model and brings together the new needs assessments, resources deduction calculations, the business rates reset, alongside their best estimates on the increase in quantum over the SR period, transitional support, and phasing. However, any modelling at this stage requires some key assumptions to be applied. Appendix 1 provides a summary of the assumptions underpinning the modelling.
12. The sector has worked closely together to share modelling and assumptions and as a result have produced similar results. For instance, the class level analysis produced by the Institute for Fiscal Studies (IFS) is broadly in line with the modelling undertaken by Pixel. Moreover, some high-level feedback on the approach and assumptions in our modelling has taken place with MHCLG. However, MHCLG has neither approved these figures nor provided specific commentary on our modelling, only offering general feedback on core assumptions.
13. In the absence of exemplifications from the department, we find ourselves in unprecedented circumstances in attempting to interpret the consultation. CCN believe that this is the best modelling currently available to us to assess the potential impact of the reforms on our member councils. The Pixel model is therefore the basis on which we are judging the impact of these proposals to inform our consultation response. The Pixel numbers have been shared with our members and – as would be expected in the absence of official exemplifications – these are also the estimates on which our members will have little choice but to begin to plan their budgets on. Nonetheless, the actual impact will not be known until the Government responds in full to this consultation, incorporates data updates, and publishes the provisional settlement.
14. **It is therefore very important to note that this response to the consultation is contingent on our estimates being approximately correct and that any further ministerial changes do not alter this position to the detriment of our member councils.**

Modelled impact of reforms

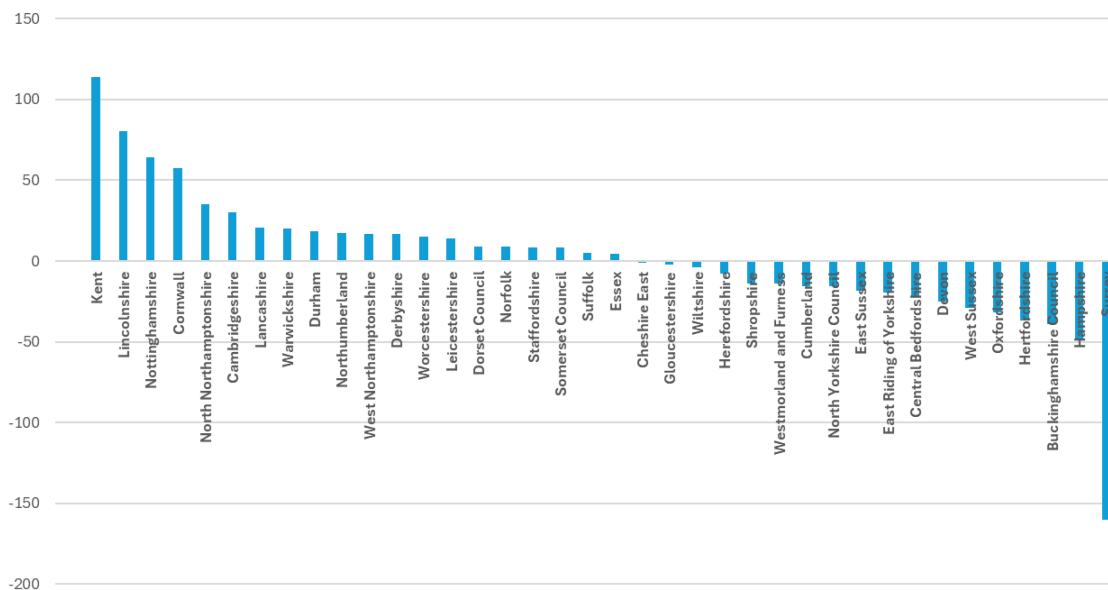
15. Chart 1 and 2 below shows our modelled estimates on the total gains and losses over three years by local authority type before council tax rises, changes in quantum and damping.<sup>1</sup> Based on our commissioned modelling, overall, the outcome for county and CCN unitary is broadly neutral at class level. When combined with shire district, county council areas see over net losses over the period. However, there is a wide variation in the outcome at individual members councils, and for some the outcome is extremely challenging.
16. Our modelling estimates that some 20 county and CCN unitary authorities could see overall gains totalling £563m, with 18 authorities seeing losses totalling £502m. Over 65% of the losses amongst CCN member councils are concentrated in the south-east of England.

**Chart 1 – Pixel estimates on total gains and losses by LA Type/Class**  
*(phased over three years before council tax rises, changes in quantum and damping)*



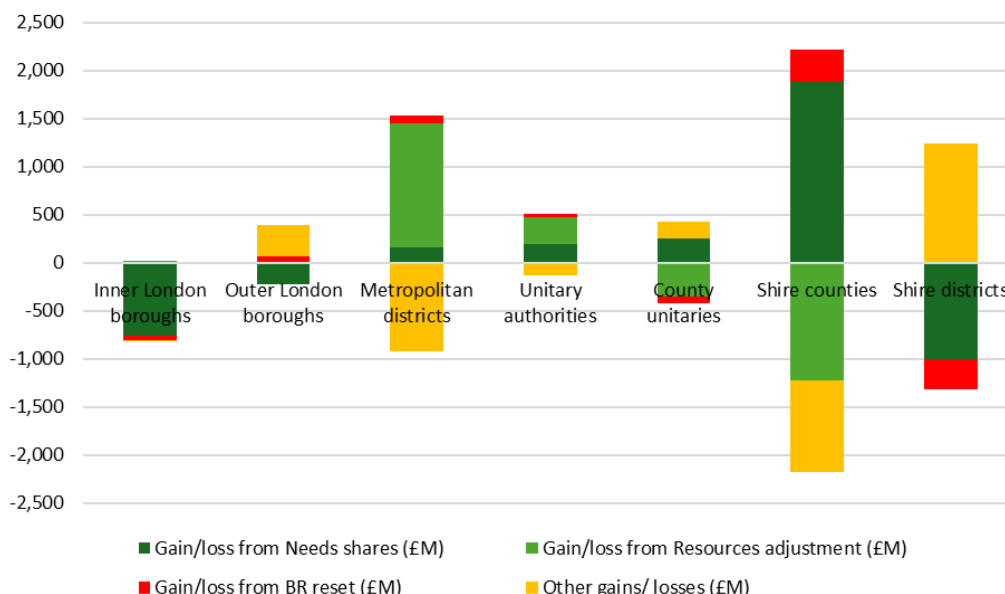
<sup>1</sup> These changes include gains and losses from: Changes in Relative Needs Formulas (RNFs); Impact of updating the weightings of each RNF; Rolling-in the separate specific grants in Core Spending Power (CSP) into Settlement Funding Assessment (SFA); Estimates for the resources deduction (“council tax equalisation”); and Resetting the Business Rates Baseline (BRB), and rolling the business rates surplus into SFA.

**Chart 2 – Pixel estimates on total gains and losses by LA – County and CCN Unitaries Only**  
*(phased over three years before council tax rises, changes in quantum and damping)*



17. Determining the reasons and contributory factors for these changes in funding is extremely difficult. However, in Chart 3, Pixel has sought to estimate the contribution from changes in “needs” (RNF), resource equalisation, and the business rates reset, with the balance assigned to other factors, including changes in the weighting of control totals. The estimates show that county and CCN unitary authorities are benefiting from the changes to needs assessment (+£2.1bn) and the business rates reset (+£281m) but are losing out the Government’s decision to perform 100% equalisation (-£1.6bn) and other effects (-£771m).

**Chart 3 – Pixel estimates on movements in funding from proposals**



18. In considering the overall impact of the reforms and the implications for financial sustainability, Table 1 and 2 below show our modelled estimates on the change in Core Spending Power (CSP) over the three-year period. These include council tax rises and our modelled estimates on damping/transition support and increase in funding announced at the Spending Review.

Table 1 – Pixel estimates on change in Core Spending Power (CSP) – LA Class/Groups

	CSP 2026-27	CSP change (%)	CSP 2027-28	CSP change (%)	CSP 2028-29	CSP change (%)	3-year change in CSP (inc. damping)
Inner London boroughs	4,294.68	-2.5%	4,141.86	-3.6%	4,001.97	-3.4%	-2.1%
Outer London boroughs	6,491.97	5.6%	6,775.46	4.4%	7,081.80	4.5%	15.1%
Metropolitan districts	15,993.06	5.8%	16,734.16	4.6%	17,528.28	4.7%	15.9%
Unitary authorities	11,547.44	5.9%	12,094.64	4.7%	12,682.66	4.9%	16.3%
CCN unitary authorities	8,430.48	5.1%	8,769.90	4.0%	9,141.91	4.2%	13.9%
Shire counties	19,643.72	5.1%	20,435.29	4.0%	21,301.91	4.2%	14.0%
Shire districts	3,031.00	2.7%	3,081.30	1.7%	3,138.96	1.9%	7.7%
<b>County &amp; CCN Unitary</b>	<b>28,074.20</b>	<b>5.1%</b>	<b>29,205.19</b>	<b>4.0%</b>	<b>30,443.82</b>	<b>4.2%</b>	<b>14.0%</b>
England <sup>2</sup>	74,949.26	4.6%	77,584.59	3.5%	80,476.27	3.7%	12.8%

Table 2 – Pixel estimates on change in Core Spending Power (CSP) – County & CCN Unitaries

	CSP 2026-27	CSP change (%)	CSP 2027-28	CSP change (%)	CSP 2028-29	CSP change (%)	3-year change in CSP (inc. damping)
Buckinghamshire	609.611	2.7%	620.677	1.8%	634.039	2.2%	6.8%
Cambridgeshire	645.035	7.2%	683.38	5.9%	724.502	6.0%	20.5%
Central Bedfordshire	320.106	3.2%	327.529	2.3%	336.435	2.7%	8.4%
Cheshire East	448.042	5.2%	466.718	4.2%	487.233	4.4%	14.5%
Cornwall	817.865	7.7%	869.841	6.4%	924.973	6.3%	21.8%
Cumberland	362.001	3.4%	371.246	2.6%	381.923	2.9%	9.1%
Derbyshire	819.788	5.6%	856.541	4.5%	896.4	4.7%	15.5%
Devon	892.357	3.9%	919.285	3.0%	949.503	3.3%	10.6%
Dorset Council	498.011	5.8%	521.393	4.7%	546.653	4.8%	16.1%
Durham	708.41	5.3%	738.369	4.2%	770.617	4.4%	14.6%
East Riding of Yorkshire	412.934	3.2%	422.716	2.4%	434.089	2.7%	8.5%
East Sussex	628.991	3.8%	647.037	2.9%	667.32	3.1%	10.1%
Essex	1,463.13	5.0%	1,520.22	3.9%	1,582.83	4.1%	13.6%
Gloucestershire	661.196	4.8%	686.039	3.8%	713.34	4.0%	13.1%
Hampshire	1,259.38	3.6%	1,292.24	2.6%	1,329.87	2.9%	9.4%
Herefordshire	236.812	3.6%	243.052	2.6%	250.12	2.9%	9.4%
Hertfordshire	1,191.21	3.8%	1,224.95	2.8%	1,263.12	3.1%	10.1%
Kent	1,629.83	7.8%	1,734.23	6.4%	1,845.10	6.4%	22.1%
Lancashire	1,305.41	5.4%	1,361.25	4.3%	1,421.84	4.5%	14.8%
Leicestershire	643.256	6.0%	674.354	4.8%	708.012	5.0%	16.7%
Lincolnshire	800.084	8.8%	857.212	7.1%	917.4	7.0%	24.7%
Norfolk	1,063.09	5.1%	1,106.08	4.0%	1,152.98	4.2%	14.0%
North Northamptonshire	422.94	8.1%	451.069	6.7%	480.836	6.6%	22.9%
North Yorkshire Council	745.161	4.4%	771.048	3.5%	799.917	3.7%	12.1%
Northumberland	458.986	6.4%	482.937	5.2%	508.61	5.3%	17.9%
Nottinghamshire	883.959	8.0%	942.384	6.6%	1,004.32	6.6%	22.7%
Oxfordshire	746.798	4.1%	771.165	3.3%	798.922	3.6%	11.4%
Shropshire	379.812	3.5%	389.673	2.6%	400.969	2.9%	9.3%
Somerset Council	680.419	5.6%	711.166	4.5%	744.701	4.7%	15.6%
Staffordshire	834.845	5.2%	868.935	4.1%	906.088	4.3%	14.2%
Suffolk	798.803	5.1%	830.895	4.0%	866.01	4.2%	14.0%
Surrey	1,260.15	0.4%	1,255.55	-0.4%	1,255.50	0.0%	0.1%
Warwickshire	631.608	6.6%	665.789	5.4%	702.648	5.5%	18.6%
Westmorland and Furness	319.408	3.8%	328.913	3.0%	339.834	3.3%	10.4%
West Northamptonshire	459.639	6.3%	483.198	5.1%	508.505	5.2%	17.7%
West Sussex	911.525	3.9%	938.559	3.0%	969.075	3.3%	10.5%
Wiltshire	550.32	4.7%	570.354	3.6%	592.456	3.9%	12.7%
Worcestershire	573.27	5.8%	599.187	4.5%	627.132	4.7%	15.7%

19. Our modelled estimates show that, if every council was to increase council tax by the maximum permitted before a referendum, CCN member councils would have an above average increase in CSP

<sup>2</sup> England figures include fire authorities and GLA

over the period. Again, however, there is a wide a wide variation in the outcome at individual authority level amongst our members councils. While 22 county and CCN unitary authorities would have CSP increases above the average, ranging from 13.1% to 24.7% over the three-year period, some 16 councils would have a below average increase. While no CCN member councils falls before the proposed 0% funding floor, eight of these authorities having an increase below 10%, and as low as 0.1% in Surrey.

20. MHCLG is assessing the overall impact of the review by assuming that all councils increase their council tax by the maximum possible 5% over the entire period. Importantly, further analysis (see Tables 3 and 4 below) demonstrates the extent to which our member councils are disproportionately reliant on presumed annual rises of 5% in council tax to both fund the estimated increase in CSP and prevent many of our member councils falling below the proposed 0% funding floor.
21. **Including estimates on the increased quantum of funding over the three-year period, modelling suggests that 22 counties and CCN unitary authorities will see grant funding increases totaling £845m.** Even county authorities which are expecting funding increases from the reforms will be dependent on council tax rises to fund services. On average, these authorities will still derive 70% of their increase in CSP from council tax rises, with some as high as 99%.
22. **However, modelling suggests that 16 counties/CCN unitaries will see cuts in government funding, with these totaling £470m.** These authorities will see no increase in direct government funding, with all their increase in CSP derived from council tax rises. It is estimated that one-third of the council tax income raised in these areas over the three-year period would be needed to offset cuts to funding and prevent them falling below the proposed 0% funding floor.
23. **In total across the 38 counties/CCN unitaries, grant funding would rise by just £374m, with 90% of the total increase in CSP for these councils coming through maximum 5% council tax rises.** In contrast, almost 50% of Metropolitan Districts' additional resources will come from increased grant funding, some £1.2bn over the next three years.
24. **Without council tax rises of 5% over the next three years, 33 of the 38 county and rural unitary authorities would see a real-terms reduction in funding.**<sup>3</sup> Estimated new government grant will fund just 9% of the £4.4bn increase in costs of providing services in county and rural areas over the next three years, while the increase in grant funding for metropolitan authorities will fund half of the total £2.4bn increase in estimated costs of providing services in these areas.<sup>4</sup>

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<sup>3</sup> Assumed annual real-terms growth is anything above 2.5% per year.

<sup>4</sup> Estimates on the increases cost of services between 2025/26 and 2028/29 based on spending need projections from PwC for CCN which can be found [here](#).

**Table 3 – Pixel estimates on change in grant funding, council tax and CSP – LA Class/Groups**

	Baseline 2025-26 (including council tax and BRRS)	Change from 25-26 to 28-29			Average Annual Increase		CSP increase funded through council tax (%)*
		Grant Funding	Assumed 5% council tax income	Core Spending Power	CSP with no council tax rise	CSP with 5% council tax rise	
Inner London boroughs	4,406.385	-688.912	284.493	-404.419	-5.5%	-3.2%	n/a*
Outer London boroughs	6,150.377	311.745	619.678	931.422	1.7%	4.8%	66.5%
Metropolitan districts	15,119.948	1,169.838	1,238.498	2,408.336	2.5%	5.1%	51.4%
Unitary authorities	10,907.735	677.360	1,097.563	1,774.923	2.0%	5.2%	61.8%
CCN unitary authorities	8,023.703	123.707	994.501	1,118.207	0.5%	4.4%	88.9%
Shire counties	18,688.067	250.187	2,363.654	2,613.841	0.4%	4.5%	90.4%
Shire districts	2,952.606	-8.263	194.616	186.353	-0.1%	2.1%	>100.0%
<b>County &amp; CCN Unitary</b>	<b>26,711.770</b>	<b>373.897</b>	<b>3,358.154</b>	<b>3,732.049</b>	<b>0.5%</b>	<b>4.5%</b>	<b>90.0%</b>
England <sup>5</sup>	71,674.524	1,571.603	7,230.143	8,801.746	0.7%	3.9%	82.1%

\*Collectively, Inner London sees no increase in CSP

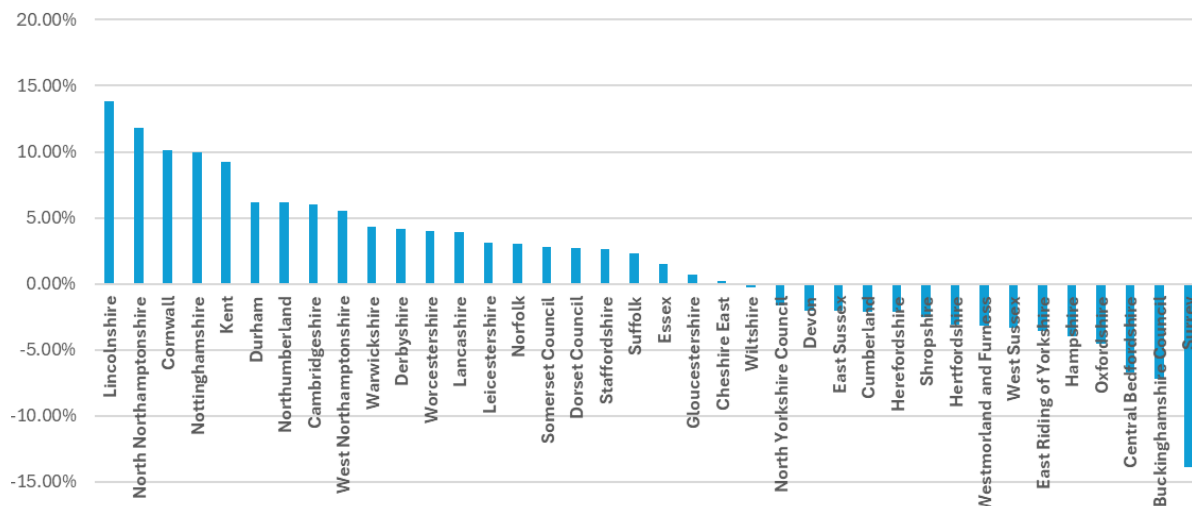
**Table 4 – Pixel estimates on change in grant funding, council tax and CSP – County & CCN Unitaries**

	Baseline 2025-26 (including council tax and BRRS)	Change from 25-26 to 28-29			Average Annual Increase		CSP increase funded through council tax (%)*
		Grant Funding	Assumed 5% council tax income	Core Spending Power	CSP with no council tax rise	CSP with 5% council tax rise	
Buckinghamshire	593.428	-42.526	83.137	40.611	-2.4%	2.2%	>100%
Cambridgeshire	601.432	36.194	86.875	123.069	2.0%	6.4%	71%
Central Bedfordshire	310.281	-20.845	46.999	26.154	-2.3%	2.7%	>100%
Cheshire East	425.693	0.718	60.822	61.540	0.1%	4.6%	99%
Cornwall	759.417	76.591	88.965	165.556	3.3%	6.8%	54%
Cumberland	350.140	-7.486	39.269	31.783	-0.7%	2.9%	>100%
Derbyshire	776.086	32.844	87.469	120.313	1.4%	4.9%	73%
Devon	858.616	-17.549	108.435	90.886	-0.7%	3.4%	>100%
Dorset Council	470.802	12.526	63.324	75.851	0.9%	5.1%	83%
Durham	672.700	41.801	56.116	97.917	2.0%	4.6%	57%
East Riding of Yorkshire	399.945	-14.525	48.670	34.144	-1.2%	2.8%	>100%
East Sussex	606.150	-12.096	73.267	61.171	-0.7%	3.3%	>100%
Essex	1,392.973	20.401	169.453	189.854	0.5%	4.4%	89%
Gloucestershire	630.777	4.426	78.137	82.563	0.2%	4.2%	95%
Hampshire	1,215.279	-48.042	162.637	114.596	-1.3%	3.0%	>100%
Herefordshire	228.657	-4.889	26.353	21.464	-0.7%	3.0%	>100%
Hertfordshire	1,147.065	-35.823	151.879	116.057	-1.1%	3.3%	>100%
Kent	1,511.491	138.567	195.036	333.604	3.0%	6.9%	58%
Lancashire	1,238.960	48.857	134.027	182.884	1.3%	4.7%	73%
Leicestershire	606.729	19.067	82.216	101.283	1.0%	5.3%	81%
Lincolnshire	735.601	101.800	79.998	181.799	4.4%	7.6%	44%
Norfolk	1,011.436	29.952	111.593	141.545	1.0%	4.5%	79%
N. Northamptonshire	391.186	45.982	43.668	89.649	3.8%	7.1%	49%
North Yorkshire Council	713.459	-11.524	97.983	86.459	-0.5%	3.9%	>100%
Northumberland	431.560	26.719	50.332	77.051	2.0%	5.6%	65%
Nottinghamshire	818.797	81.940	103.582	185.521	3.2%	7.0%	56%
Oxfordshire	717.134	-32.131	113.918	81.787	-1.5%	3.7%	>100%
Shropshire	366.846	-9.303	43.426	34.123	-0.9%	3.0%	>100%
Somerset Council	644.127	18.344	82.229	100.574	0.9%	5.0%	82%
Staffordshire	793.465	20.537	92.086	112.623	0.9%	4.5%	82%
Suffolk	759.818	17.197	88.995	106.192	0.7%	4.5%	84%
Surrey	1,254.750	-174.235	174.983	0.747	-4.9%	0.0%	>100%
Warwickshire	592.399	25.493	84.757	110.249	1.4%	5.9%	77%
Westmorland & Furness	307.766	-9.929	41.996	32.067	-1.1%	3.4%	69%
West Northamptonshire	432.198	23.583	52.723	76.307	1.8%	5.6%	>100%
West Sussex	877.024	-28.789	120.840	92.051	-1.1%	3.4%	>100%
Wiltshire	525.497	-1.531	68.491	66.959	-0.1%	4.1%	>100%
Worcestershire	542.085	21.577	63.469	85.046	1.3%	5.0%	75%

\*For those authorities where council tax is shown as >100% the council tax increase is substantially more than the increase in CSP. The increase in council tax in these authorities is also used to offset the cash-terms cuts in grant funding.

<sup>5</sup> England figures include fire authorities and GLA

Chart 4 – Pixel estimates on total three-year CSP increase without presumed 5% council tax rises and damping



### Our position & asks

25. In setting out our position and response to this consultation, we recognise that our modelling suggests a very wide range of potential outcomes for our member councils. CCN is seeking to put forward a position that balances this, ensuring those that gain reach their target allocation as soon as practically possible, while recognising the overall financial sustainability of all our member councils. As previously stated, our response is also contingent on our estimates being approximately correct and that any further changes do not alter this position to the detriment of our member councils.
26. Most importantly, these proposals also need to be considered within the context of the wider financial challenges facing local government. FFR 2.0 will bring substantial changes to the financial position for all member councils both now, and in the future. These are to be implemented with little advance notice, in a highly constrained financial environment.
27. All CCN member councils are already under significant financial strain, with previous research by CCN and PwC<sup>6</sup> estimating that their spending need will rise by 23% between now and the end of the parliament – higher than all other types of councils. This research showed that local authorities in England faced a cumulative funding gap of £54bn over the course of this parliament, with county and CCN unitary councils representing £20bn of this gap. CCN has not updated these estimates since the Autumn Budget, but plan to do so in the coming weeks. However, it is clear that the funding provided at the Spending Review, and the proposals in this consultation, will not close the funding gap facing our councils or the wider sector.
28. But these revenue pressures come alongside significant other pressures, none more so than special educational needs and disabilities (SEND) deficits. Whilst national cumulative deficits are already forecasted to reach an unsustainable level of £6 billion by March 2026, in-year deficits are getting larger and larger each year. This means that the cumulative impact is growing exponentially and the effect on sustainability is ever increasing, due to lost interest income and higher borrowing costs, with councils effectively providing an interest-free loan to the Department for Education. A key driver of the challenges of SEND deficits in county areas is the current DSG and High Needs Block allocations rely on outdated historical data, leaving counties among the worst funded nationally. We estimate that, were our members funded at the national average per pupil, our annual deficits would reduce by

<sup>6</sup> <https://www.countycouncilsnetwork.org.uk/download/5462/?tmstv=1754640647>

between 70% and 86%. Although outside of scope of this consultation, we believe it is critical that the Government urgently overhauls the Dedicated School Grant formula alongside this review.

29. These reforms also come at a time when the Government is undertaking LGR in 21 remaining two-tier areas. When combining county and shire districts, our modelled estimates suggest these areas face a net-loss, with a very wide range of outcomes across these two-tier areas. This will have significant implications for the sustainability of individual proposals put forward by local areas, and in the areas worst impacted by the proposals, could undermine the Government's ambitions for restructuring.
30. The estimated outcome of the FFR only reinforces the need for new councils to be of significant size and scale to manage the transition, maximise efficiency savings and deliver these in the shortest payback period to potentially offset losses from funding reforms. Crucially, any proposals must demonstrate how they will ensure future councils have a sustainable funding base – aligned to spending need – to fund rising costs in adults and children's social care. There is significant risk that councils below the 500,000-population threshold will concentrate demand for these services and be misaligned with tax raising ability at a time when county areas are becoming even more reliant on this source of income to fund local services.
31. **CCN recognise that, overall, the Government has delivered a more balanced approach to its proposals than many of our member councils may have feared.** Many of the changes that are proposed within the need-assessment of this FFR consultation are based on evidence and appear technically sound. By adopting this approach in line with the principles of the review, and responding to the advocacy of CCN, our members estimated needs-assessment has increased from 34.9% in 2013/14 to 37.9% in 2026/27. This means that the gains from the new needs assessment for CCN member councils are estimated to exceed £2bn. In particular, we support:
- The **adult social care formula** appears to have been largely based on the PSSRU/ University of Kent research, which was fully supported by CCN and should be implemented in full. Alongside this, we strongly support proposals to roll-in all social care grants within SFA.
  - The **home to school transport** formula and the overall approach to the design of the needs assessment (though we do not support the arbitrary capping of travel distances at 20 miles).
  - **The new elements that have been introduced into the Area Cost Adjustment (ACA).** The Accessibility and Remoteness adjustments recognise the higher unit costs that are incurred in authorities with high levels of sparsity, and which are remote from competitive markets.
32. As a result of these proposals, our modelled estimates show that over half of CCN member councils could see gains from the reforms, with some experiencing significant increases in funding over the three-year period. Nonetheless, the gains amongst a significant cohort of these councils are extremely modest, particularly given the reliance on presumed council tax rises of 5% to achieve estimated increases in CSP. This must be considered within context of the pressures facing local government finance and household budgets.
33. **However, we remain concerned about the impact on, and the sustainability of, some of our members given the impact of these proposals.** Some 16 county and CCN unitary authorities are estimated to experience grant reductions, with some authorities potentially witnessing an unsustainable reduction in resources over the three-year period. These 16 councils authorities three-year increase in CSP would be below the funding floor of 0% without presumed council tax rises and damping.

34. Some of those councils that could suffer the largest reductions in real terms are those authorities that would have, inevitably, seen some reductions in resources under the previous Government proposals due to resource equalisation, the removal of previous damping arrangements, and other baseline effects. However, there are clearly decisions, such as full equalisation, that disproportionately and unfairly increase the potential financial losses for these councils, while reducing the overall gains for most of our member councils.
35. **Given the existing funding gap, wider pressures facing council finances, and reliance on council tax for CCN member councils to fund CSP increases over the next three years; insufficient resources were made available at the Spending Review to smoothly implement changes of this scale and nature.** This is especially so for councils delivering sensitive social care services, with a national profile. It is simply unrealistic to expect major social care authorities to provide these services, now and in the near future, while receiving significantly below average CSP increases over the next three years and ultimately reductions in Government grant. Even those seeing funding increases will still face an extremely challenging funding outlook, with rising costs outstripping new funding. **Government must therefore take steps through providing significant further additional funding to increase the total quantum of resources, to help protect county and CCN unitary authorities from reductions in funding, and to reduce the overall dependency on council tax to fund increases in CSP over the next three years.**
36. Alongside the necessary increase in the quantum of resources; it is clear from our analysis that, while our member councils assessed need has increased overall, and the impact is more balanced than many of our councils had anticipated, there are a number of proposals that are detrimental to our member councils and which counteract the positive impact of the needs assessment. There are therefore individual proposals within the consultation that this response seeks to challenge, based on principle, disproportionate impact, or because MHCLG has not supplied evidence to support the proposal. These are detailed in response to the consultation questions, but the key areas include:
- We are very disappointed that the Government is proposing to implement **full (100%) resource equalisation**, which we believe is unprecedented in England. Combined with a collection assumption of 100%, this results in an effective rate of equalisation in excess of 100%. Council taxpayers in our member authorities already fund a far greater share of local services than average. Carrying our further equalisation only exacerbates this position. The decision to carry out full equalisation in 2026-27 also breaks with the previous approach in 2013-14 when only 85% of council tax was equalised. Council tax is a local tax, and at least some of this locally raised income should be retained locally and left outside the scope of equalisation. Our analysis suggests that 32 of the 38 county and CCN unitary councils are losing over £400m *additional* funding as a result of the move from 85% to 100%. With the Government's target to build 1.5 million homes, retaining an element of council tax is important as it increases the incentive to build new homes (this is especially relevant post-New Homes Bonus). In response to the consultation published in December 2024, almost half of those who responded (49%) supported partial or no equalisation. Only 1 in 4 (23%) supported full equalisation. There was therefore little support across the sector for the course the Government has proposed. We set out that the government should lower the level of equalisation and amend the proposed equalisation methodology, including the presumed collection rate.
  - For many of our members, the funding reforms will challenge their **financial sustainability**. We ask MHCLG to demonstrate how it is assessing the financial sustainability risks of councils. Although CCN members overall appear to have received a more balanced outcome from the proposed

funding reforms than many of our member councils had anticipated, there are still many CCN authorities who will have significant real-terms cuts in their funding. Annual cash-terms increases of 1-2%, or below, will not be sufficient to set balanced budgets over the medium term, and few CCN members have below average Band D, meaning larger council tax precept increases (to catch up to the average) are not possible. What assessments has MHCLG undertaken, and can these be shared?

- For social care authorities, our starting point is that the calculation of the 0% **damping floor** should be based on flat assumptions for council tax, or at the very most in line with CPI inflation. We therefore believe the Government should lower the presumed rate of council tax rise included in the funding floor calculation. We also believe the Government should consider increasing the level of the funding floor for social care authorities outside the 49 councils with specific arrangements. This should be funded through new additional resources. Both full Band D increases at referendum principles and taxbase growth should not be built into the damping floors. Moreover, if there are further changes to the proposed consultation package which result in significant negative impacts on our member councils, or the outcome for our councils is worse than our modelling estimates suggest, we will want to see further changes to the **transition arrangements** to provide more protection. These could include extending the transition timeframe to 4 or 5 years. In the absence of clear exemplifications on the operation of the transition arrangements, CCN/ACCE/SCT will want to discuss these matters with the department.
- We are concerned about the **very high weightings for deprivation within the Foundation Formula and the evidence base underpinning them**. Previous analysis by MHCLG (in the 2018 consultation paper) showed that the bulk of the variation in expenditure on Foundation Formula services could be explained by population, and that deprivation should be given a weighting of no more than 4% for upper-tier services or 0.4% for lower tier services. Based on Pixel analysis, it appears the weighting for deprivation in the proposed foundation formulas is considerably higher than this, with the uplift estimated at around 38% for metropolitan authorities. We ask MHCLG to explain why it is not using this previous analysis to inform the proposals, departing from the agreed principles that require an evidence-based approach.
- The **children's services formula** is hugely redistributive, and almost every CCN member will receive a lower share of this RNF than it does now. It is impossible to check the data and formulas that have been used. To command confidence of the sector, DfE needs to provide much more transparency about how it has determined the new formula and the data that has been used; it needs to explain why the new formula results in such a different distribution of funding.
- In theory, the **highways maintenance RNF** should benefit all CCN members because it removes the weightings for urban roads. Whilst most CCN members do benefit from the new RNF, some do not, particularly those in the most rural counties, most notably those in the north of England (North Yorkshire, Northumberland). MHCLG needs to explain why these authorities see a reduced highways maintenance relative needs assessment, and to justify removing the elements of the current RNF that benefit these authorities.
- We also argue that the Government should **avoid using forward projections** for the needs and the resources assessments (including population, taxbase and council tax yield). Outturn data has shown that these are unreliable at the local authority and regional levels. Moreover, if projections are used which prove to be unfavourable to our members, we reserve the right to raise this issue in successive annual settlements during the 3-year period and insist that corrections are applied. We believe that 'freezing' the data – using publicly available, verified data at the outset and sticking to this for the three-year period – represents a much 'cleaner' and simpler process. This will also align

clear housebuilding incentives with those for economic growth through the business rates retention system.

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

37. As far as we can tell, there are no authorities who would receive a “zero allocation” from these funding reforms. In principle though, **we would not support any authority having a negative allocation for either SFA or RSG**. Negative values imply that council tax income is being transferred from one part of the county to fund services in another. This must not happen. Local taxpayers rightly expect their council tax to go to their council and would not accept a council tax tariff moving these elsewhere.

**Question 2 – Do you agree with how the government proposes to determine the Isles of Scilly’s Settlement Funding Assessment?**

38. Agree. This is a sensible approach and follows the methodology used in the 2013-14 settlement. The values for Isles of Scilly (IoS) are very small and have very little impact on the funding for the rest of the settlement. However, we are much more concerned that a similar approach is being taken with the Greater London Authority (GLA).

39. The GLA accounts for approximately 10% of the settlement, and any decisions taken here are material for other LAs. Funding for the GLA should not be top-sliced from the overall settlement. It should be determined by formulas, not by negotiation behind closed doors. However, if a bilateral approach is adopted for the GLA, this must focus exclusively on additional local flexibilities, or an arrangement with London boroughs; additional GLA funding should not be top-sliced from LAs outside London.

40. In addition to the IoS, it is possible that the current formulas also fail to fully capture the Isle of Wight’s relative need, and we support bespoke arrangements for the IoW where necessary. Whilst larger than IoS, IoW represents a small enough share of the overall quantum that any such arrangements should have minimal impact on other LAs.

**Question 3 – Do you agree with the government’s plans to simplify the grant landscape?**

41. Agree. However, the sector needs much more detail before the provisional settlement (pLGFS), if we are to realise the benefits of the multi-year settlement. The key is council flexibility. An outcome-based accountability framework also needs to be jointly agreed.

42. It is also important that other government departments do not bring in ringfencing via the back door. For instance, it would be inconsistent to have an outcome-based framework, but with sanctions for LAs who chose not to spend all their ASC allocations on ASC if their outcomes are good.

43. Any grants announced outside the settlement should also have allocations announced for multiple years. Without multi-year allocations for all the major grant funding streams, then this will undermine the usefulness of the multi-year LGFS.

44. Where consolidated grants are created, **the Government must consult openly and in a timely manner on the distribution** – whether that be via a new formula or under an existing distribution. There should be minimum standards for the process of determining new distributions, with full transparency about how formulas have been developed, and the data and calculations that have been used to determine allocations. Some of the recent grant allocations (e.g. the Recovery Grant and EPR

guarantee in 2025-26) have fallen short of these minimum standards. There should also be a full timetable of the grants that will be rolled into the consolidated grants over the next three years, published as soon as possible.

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

45. CCN broadly agree with the formulae that have been proposed in the consultation paper – but there are specific elements within those formulae that we do not support. We will identify those elements separately in our response.
46. We agree that the formulae were out of date and badly in need of review. It is good that the work carried out by PSSRU on the ASC formula – and consulted on many years ago – has been updated and is being used. We believe this formula should be implemented in full. We also strongly support the new Home to School Transport RNF and the inclusion of remoteness in the ACA.
47. It is important that the Government recognises the obvious costs that will come with delivering services over a sparse geography. We do not see any evidence for the inclusion of a density factor (for high population density) as there is no causal link between higher spending need and higher population density. Additionally, higher population density means that LAs can more easily provide services at scale, decreasing unit costs.
48. Whilst we completely support formula being based on predicted use rather than historic use/spend, we still have questions about the Children’s Services formula and its pattern of distribution. We need an explanation from the Department for Education (DfE) about why the formula is so different from the current distribution, and why it is so different from current spending patterns. In our view, there should be a working group meeting between LA representatives and the DfE, and the researchers, to discuss the research and its outputs. Currently there is no way that an LA can understand why their allocation has changed, and – whilst data protection is very important – the Government could do more to help LAs understand the reasons behind such large distributional changes.
49. More generally, CCN is concerned that deprivation measures have been included as a political panacea to certain types of LAs rather than as indicated by statistical analysis and evidence. Many needs measures are already strongly correlated with deprivation and therefore it should not be repeatedly included (i.e. double- or triple-counted). This is particularly the case in the Foundation Formulas, and while recognising there may be a need for some measure of deprivation, the weighting is not supported by analysis that has previously been undertaken by MHCLG (MHCLG’s 2018 analysis suggested that IMD should be <4% for upper tier and <0.4% for lower tier). We explore this further under Question 42.
50. Additionally, the CCN questions the suitability of the IMD to distribute funding, given its broad range of measures (many of which are not relevant to LG services) and subjective weightings. The IMD is a very wide measure of deprivation and includes domains that are not necessarily relevant to the delivery of local government services (e.g. crime). Given that the new IMD will be used (updated in mid-Autumn), we need to see the impact of this update as soon as possible.

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

51. Yes. CCN prefer a simpler approach, with fewer RNFs. The deleted RNFs (particularly flood and coast protection) are smaller pots of money or are very unevenly distributed and where funding is required for these functions, it is perhaps more appropriate to have a grant funding stream outside the settlement.

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

52. CCN support the general methodology used to calculate control totals, but seek clarification on the method’s suitability across different tiers. Control totals should be determined based on actual spending patterns. We would support using the most-recent data on actual expenditure (i.e. from the latest post-audit RO return). This is the approach that was proposed in the 2018 consultation, and we support its continued application.
53. The control total for the foundation formula is based on the expenditure in the services within the scope of the foundation formula, but the split between the upper and lower tier is based only on expenditure patterns in two-tier county areas. In our view, this does not suitably account for the fact that shire counties have the lowest proportion of discretionary spend and likely overstates the spend on lower-tier services, which are “protected” within shire districts, but not in LAs with both upper and lower tier responsibilities.
54. It is not clear how specific grants have been taken into account. These are now less important than they used to be because most will be rolled into SFA in 2026-27 (e.g. the social care grants). But there are still some grants that must be adjusted for. Most notably the Government must confirm that the Children’s Social Care Prevention Grant (assuming it is not included in SFA) isn’t double-counted in the control totals (i.e. control totals must be adjusted to account for Childrens expenditure excluding the CSCPG, or they must apply to the overall SFA + Childrens pots).

**Question 7 – Do you agree with the Labour Cost Adjustment (LCA) and Rates Cost Adjustment (RCA) equations set out in this chapter?**

55. Agree.

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

56. CCN strongly support the new elements that have been introduced into the ACA. The Accessibility and Remoteness adjustments recognise the higher unit costs that are incurred in authorities with high levels of sparsity, and which are remote from competitive markets.
57. We are still concerned that the new ACA elements do not fully compensate rural authorities for the abolition of the sparsity indicators within the current formula. The ACA elements only provide funding for the additional unit costs in rural areas, whereas the previous density and sparsity measures provided funding for a wider range of cost pressures, including higher demand for some services in rural areas.
58. Nevertheless, the proposal for the travel-time adjustment is an improvement in technical terms: it applies the same methodology to every individual authority on the same basis, whereas both the sparsity and density measures had cut-offs, which created cliff-edges.

**Question 9 – Do you agree or disagree with the inclusion of the Remoteness Adjustment? Do you have any evidence to support or contradict the theory that rural areas face additional costs due to separation from major markets?**

59. We agree with the consultation that there is “a compelling” case for including the remoteness factor within the ACA. Delivering a service over a wider geography with people further from population centres is going to increase costs. There are also less likely to be competitive markets (which can drive down costs) in such rural locations.

60. The compelling case is not merely a “theoretical” one as the consultation suggests. In addition to the many additional pressures and unmet need linked to rurality (poor access to services, isolation, lack of employment accessibility, poor physical and digital connectivity), there are significant market effects due to remoteness. Some examples are set out below:
- a. Procurement data from one council reveals that 17% of all contracts over the past five years received just one bid (or none at all). Adult transport contracts were hit hardest (nearly 30% low-bid), especially in the most rural part of the county.
  - b. In relation to Home to School Transport, one member council had 57 contracts where it only had one (17) or two (40) bidders (period of Jan-25 through to Jun-25). This represented 15% of all contracts. A further 49 contracts had three bidders, meaning that 106 contracts had three or fewer bidders (28% of contracts).
  - c. One member council noted that rurality/remoteness pushed up their ASC costs by between 25% and 30%; this is driven in part by in-migration of retirees and out-migration of younger workers creating workforce shortages and elevated travel and wage costs for community-based care, and also by significantly limited market competition.
  - d. Another member council highlighted a recent contract for a Coroner’s Removals Tender had to be awarded via the negotiated procedure without prior publication (Reg. 32 (2)(a)) on the grounds that, ‘no tenders, no suitable tenders, no requests to participate or no suitable requests to participate have been submitted in response to an open procedure or a restricted procedure’.
  - e. Another member council stated that it currently provides school meals to approximately 180 locations across the county. The remote location of many of those schools has impacted on the attractiveness of our tendering opportunities as only local providers are willing to accept low value orders of fresh food in such locations.
  - f. Herefordshire has estimated the delivery of home care services in rural areas of are approx. 15% higher than costs to deliver in urban areas of the county.
  - g. Another respondent stated that during a consultation with providers about lack of bids, the main feedback was that the travel time built into each visit was insufficient (travel to and from the location) and so these remote and less populated/concentrated visits were not attractive to the provider or their staff, particularly because the staff member would be, in effect, out of pocket, as anything in excess of the travel time included within the visit time was not paid... The council’s introduction of a travel time allowance, which allowed for a consistent approach to permitting and commissioning any additional travel time needed, has improved its ability to source social care, but market challenges remain more significant in remote areas.
61. The list above is not exhaustive. Whilst the case for remoteness may appear “theoretical” for those in urban centres, it is very real for those in rural areas and must be reflected in the ACA for the “Fair Funding Review” to be “fair”.

**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?**

62. CCN strongly disagrees with the objective of full council tax equalisation and believe the Government should implement a lower level.

63. The decision to carry out full equalisation in 2026-27 also breaks with the previous approach in 2013-14 when only 85% of council tax was equalised. Council tax is a local tax, and at least some of this locally raised income should be retained locally and left outside the scope of equalisation. Our analysis suggests that 32 of the 38 county and CCN unitary councils are losing over £400m *additional* funding as a result of the move from 85% to 100%. With the Government's target to build 1.5 million homes, retaining an element of council tax is important as it increases the incentive to build new homes (this is especially relevant post-New Homes Bonus).
64. In response to the consultation published in December 2024, almost 1 in 2 of those who responded (49%) supported partial or no equalisation. Only 1 in 4 (23%) supported full equalisation. There was therefore little support for the course the Government has proposed.
65. Any form of equalisation, however, whether full or partial, should be set with reference to the national average Band D. In this way, it should be clear how equalisation is being set, and the proportion of the national average council tax that is subject to Band D. For those with low Band Ds, it is then also clear the gap between their own council tax income and the notional amount that is being equalised. CCN fully supports the principle of notional council tax equalisation (i.e. based on an authority's share of the national taxbase, rather than its share of the national council tax income).
66. We recognise that notional equalisation does disadvantage those with precepts far below the average, unless they are offered the ability to increase their bills by above the current 3% or 5% assumption. We would welcome greater flexibility for these authorities. In our response to Question 25 we set out our support for revisiting the council tax referendum principles. The current system causes a divergence of levels over time, it is outdated, and it is extremely centralised.

**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?**

67. 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?**

68. Agree in principle, subject to the approach adopted.

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

69. We do not support the methodology that has been proposed. There is insufficient evidence provided to support this proposal, and no evidence that alternatives have been considered.
70. We do not support the use of IMD. It is inappropriate for use in this context (it seems to be the easy, off-the-shelf option that the department reaches for). Using benefit data should have been explored because this is much more likely to correlate with the demand for WA LCTS.
71. We recognise that some measure of deprivation does need to be taken into account because demand for the WA LCTS will be higher in authorities with higher levels of deprivation. We would like to see more transparency about the approach that has been used, and if there were any alternatives that were considered.

**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?**

72. Agree. These are discretionary schemes, and if they were included within equalisation would create perverse incentives to 'game' the system.

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

73. We agree that a uniform rate should be applied but the collection rate assumption should be based on the actual collection rate and not on full collection (100%). The objective of the equalisation calculation is to base the adjustment on actual council tax levels (hence the use of the national average Band D).
74. No council can collect 100% of their council tax and therefore it is our view that to assume 100% collection is inappropriate. Rather, we suggest that the average collection rate of 95.8% should be used. The effect of using the actual Band D and a collection rate that is higher than the actual means that the government is effectively equalising more than 100% of council tax income.
75. The justification for using full collection rather than the actual collection rate is “to [ensure] that the incentive for all authorities to reduce tax avoidance remains”. This is irrational: billing authorities are already incentivised to maximise collection, and using a different collection rate in the resources adjustment will not reduce that incentive, as long as it is applied uniformly.

**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?**

76. Agree.

**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?**

77. Neither agree nor disagree. With the many changes to the Business Rates Retention System planned for 2026-27 (reset, new multipliers, move to gross rates payable...) an increased safety net threshold makes sense. **However, any changes to the safety net must include a review of tier splits** and the CCN cannot support a change to safety nets without a review of tier splits.
78. Tier splits were set up so that most of the risk/reward lay with billing authorities. The primary reason for this was the need to protect shire counties (those with the lowest proportion of discretionary spend) from large shocks. Increasing the safety net to 100% (even on a temporary basis) necessarily means that the Government would be changing the risk/reward landscape. The tier splits which were established to protect shire counties from shocks are inappropriate for use in a 100% safety net system. As a starting point, the SCT/CCN recommends a 49%:49%:2% split for lower, upper and fire authorities in such a (100% SN) system.
79. Provided a more balanced tier split is found, we could support a move to permanently increase the level of the safety net, but without such a review we cannot support even a temporary change.
80. The CCN recommends a fundamental review of the business rates retention system, when time allows, and urges Government to prioritise simplicity and LAs’ sustainability in such a review.

**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?**

81. Agree. There is no evidence of New Homes Bonus (NHB) significantly impacting house building. In two-tier areas, the NHB failed to recognise the role of upper tier LAs in providing infrastructure and wider services.

82. We agree that the NHB resources (~£290m) should be distributed in SFA.

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

83. House-building could be incentivised by not fully equalising council tax and not including taxbase growth in the Government’s settlement calculations. Authorities would need to have confidence that a proportion of their growth in taxbase was retained locally over an extended period.

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

84. Our members do not support further capitalisation flexibilities as an appropriate or responsible way for LAs to manage their budgets during the transition period.

85. We note that the Government has announced a commitment to reducing ringfencing and reporting of current specific grants, but the current pace is too slow and the grants that have been included to date are too small. This pledge must be delivered quicker, but alongside this, Government should fund local councils appropriately. Local councils can be trusted to deliver the services that their residents need and if councils were funded sufficiently in the first instance, then other departments would have increased confidence that funding given to the sector would be spent delivering their priorities.

86. Council tax requires significant reform. While council tax is a well-recognised and resilient form of taxation, it is extraordinarily unfair, outdated and centralised in its current form and should be reviewed. The differences in Band D bills have been allowed to widen over time where we reach a position where most notably, two London boroughs have council tax bills approximately half the national average. It is quite clear that this is not because they are twice as efficient.

87. The Government should prioritise a sensible approach to referendum principles, and it should not assume full utilisation in the Fair Funding Review, nor in its Settlement publications.

88. The CCN recently published research by PwC on [further fiscal devolution](#) which would benefit local councils. The research concluded that fiscal devolution could unlock over £4 billion annually for England’s counties by allowing LAs to retain a share of housing, income, and tourism taxes. Rather than increasing taxes, this approach decentralises existing revenue streams, empowering local leaders to invest in services that drive economic growth—such as transport, infrastructure, skills development, and tourism.

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

89. The current system is far too centralised – local government should be allowed more freedoms and flexibilities.

90. We call on the Government to trust LAs and their existing safeguards when devolving powers and fiscal responsibilities to the sector. Local councils are already subject to scrutiny from their local taxpayers, their auditors and elected members, as well as the reporting structure for funding and outcomes. The Local Government Act (2000) already states that Councils must have an overview and scrutiny committee to review decisions and policies of the executive. These committees focus on reviewing the budget, financial performance, and ensuring value for money.

91. The Local Government Ombudsman has the power to investigate complaints about maladministration, including financial matters.

92. We also call on the Government to continue to work with the sector to ensure that the audit backlog is resolved and is prevented from occurring again. That will provide a reliable assurance of the financial health of LAs.

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

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

93. Our modelling indicates almost half our member councils lose out from the reforms. Some of these losses are very significant indeed (for instance, we estimate that Surrey CC's losses are equivalent to around 13% of Core Spending Power). The proposals to "blend" or phase new allocations within three years applies the full extent of these losses in that time. For these county authorities, their SFA and grant funding will reduce in cash terms over the next three years, and any increase in overall spending power will be the result of council tax increases.

94. Whilst there is a good case for introducing changes in funding within a fixed period of time, we would prefer that the period was determined based on the impact on authorities' funding, rather than an arbitrary goal. For those county authorities who are losing out, their overall funding allocations over the next three years will only increase by very small amounts in cash terms. This represents very significant real-terms cuts, even with the maximum increase in Band D, and is massively less than the increase in spending pressures.

95. There are real concerns here about the financial viability and sustainability of LAs, particularly those with social care responsibilities. MHCLG will have undertaken assessments about the impact of these proposals on authorities, and of their capacity to deliver balanced budgets over the medium term. Other types of authority might be able to increase Band D to close their funding gaps (e.g. inner London), and others might have substantial reserves (e.g. high-growth shire districts). But neither of these options are available to county authorities who already have very high Band D council tax (which the Government assumes will rise by 5% per year), and few of whom have had the business rates growth experienced in shire districts. MHCLG should share their financial assessments so that the sector can have the confidence that officials are making reasonable assumptions about the impact the proposals.

96. Sustainability must be prioritised over the arbitrary implementation of the changes within a defined period. If there are further changes to the proposed consultation package, which result in significant negative impacts on our member councils, we will want to see further changes to the transition arrangements to provide more protection. These could include extending the transition timeframe to 4 or 5 years. In the absence of clear exemplifications on the operation of the transition arrangements, CCN will want to discuss these matters with the department in advance of the provisional settlement.

**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?**

**Please provide any additional information, including on:**

- **The level of protection or income baseline, considerate of the trade-off with allocating funding according to the updated assessment of need and resources; and**
- **The possible impacts on local authorities' financial sustainability and service provision.**

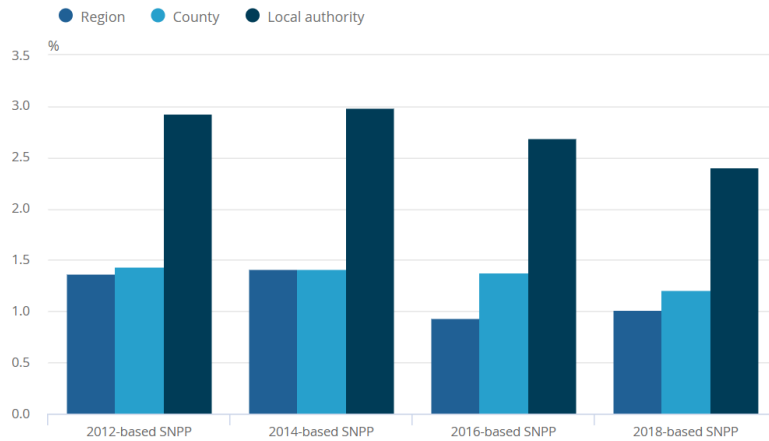
97. For social care authorities, our starting point is that the calculation of the 0% **damping floor** should be based on flat assumptions for council tax, or at the very most in line with CPI inflation. We therefore

believe the Government should lower the presumed rate of council tax rise included in the funding floor calculation. We also believe the Government should consider increasing the level of the funding floor for social care authorities outside the 49 councils with specific arrangements. This should be funded through new additional resources.

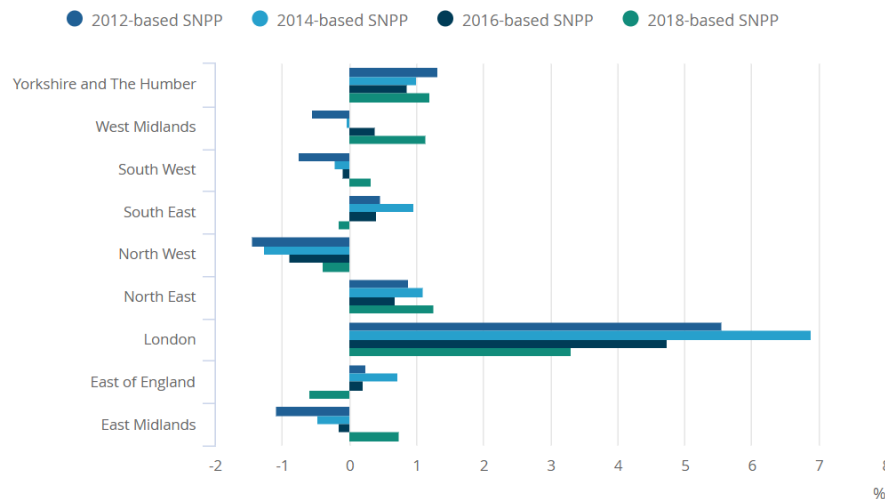
98. Our modelling also indicates that the damping proposals would not move every authority to their target funding over the three years. Despite a lower funding floor for those losing the most (between -5% and -7% in 2026-27), many of these authorities would still be receiving substantial amounts of damping from the floor, and would be significantly above their funding target. County authorities are being expected to absorb all their funding losses over three years, where others (inner London boroughs and some high-growth shire districts) may not.
99. We ask the Government to be more transparent and to ensure that the proposed transitional arrangements achieve the stated aim of moving all authorities to their target funding within the transition timeframe. If some authorities are allowed to transition over a longer time, then the same terms should be applied to all authorities, including county authorities.

#### **Question 24 – Do you agree or disagree with including projections on residential population?**

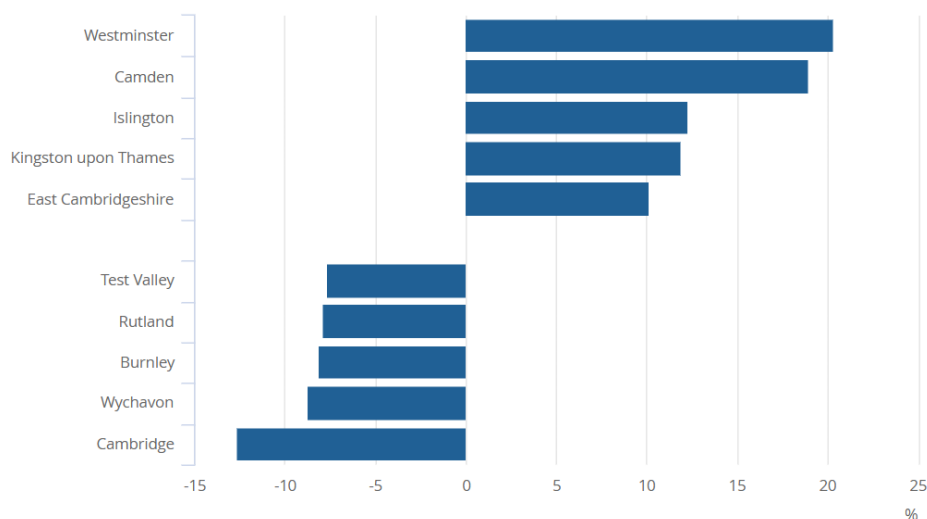
100. Disagree. We do not support the use of population projections because they are not sufficiently reliable or accurate at smaller geographies, including at LA-level.
101. Sub National Population Projections (SNPPs) are produced using historical data and population component trends that are projected into the future, whereas Mid-Year Estimates (MYEs) are produced using changes to the population components measured during the previous year. Projections are not forecasts and do not attempt to predict the impact of future political and economic changes or local development policies.
102. In other words, projections are based on historic trends and simply projected forwards. It is for this reason that projections can often be significantly inaccurate. The ONS highlights that “...projections become increasingly uncertain as they go forward into the future, **particularly for smaller geographic areas** and detailed age and sex breakdowns” [*emphasis ours*].
103. The ONS publishes its own analysis entitled ‘comparing subnational population projections to estimates report’. It compares the 2012-, 2014-, 2016- and 2018-based SNPPs for 2021 with the 2021 MYEs. The report concludes that:
  - the population in 2021 was lower than that projected by all SNPPs
  - differences were larger for smaller geographical areas (i.e. local authorities)
  - differences were largest for the London region (which was over-projected by all projections)
104. The following graph, produced by the ONS, shows the mean error in the SNPP at different geographies. It is clear that local authorities experience the largest errors.



105. The following chart demonstrates the regional inaccuracies, with **London being significantly over-projected in every set of SNPPs**. London has high levels of internal and international migration and churn, which also affects fertility and mortality rates. These factors make it more difficult to project the population.



106. The chart below shows the biggest over and under projected LAs, ranging from just over 20% over-projection in Westminster, which grew at a slower rate than predicted, to -12.6% under-projection in Cambridge.



107. The impact on these authorities will be significant should the funding allocations have been based on these projected figures. Additionally, if smaller population cohorts had been considered the magnitude of these errors would have been even greater.
108. Using population projections sounds reasonable in theory, but in practice projections are far too inaccurate to be useful at the LA-level.

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

109. We disagree that projections of council tax levels (Band D) should be used. Rather than a projection, they represent a presumption which further erodes the illusion that council tax levels are at local councils' discretion.
110. Not using projections will act as a clear incentive to build housing, as the additional income will be a bonus, rather than already being assumed in funding allocations. Council tax levels could be reset periodically, at the same time as revaluations, business rates resets and data updates in the wider funding formulae.
111. Our members have long believed that council tax income should not be included in the headline Core Spending Power (CSP) figures quoted in the settlement. Each year, the settlement sets out a seemingly generous CSP increase, but most of this increase is attributed to an assumed maximum increase in council tax. Any uptake of the maximum referendum-free amount of council tax flexibility by members should be seen as a pragmatic reaction to the current local government funding climate.
112. Looking ahead, the presumption of maximum council tax use must end. Ideally, this would end immediately, and the Government would not assume maximum council tax flexibility usage in its CSP calculations. The 2025-26 settlement consultation document stated, "It is for individual authorities to determine whether to use the flexibilities, taking into consideration the pressures many households are facing," and the prior Policy Statement asserted that the principles "are not a cap, nor do they force councils to set taxes at the threshold level. The decisions on the level to set, or whether to hold a referendum to go beyond the referendum principle, sit squarely with local authorities." While theoretically true, these statements do not reflect reality.
113. Local taxation should have full local discretion. If projections are to be used, then increases of no more than inflation should be used.

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

114. We disagree that council tax projections should be used. Councils should be allowed to retain their increases in council tax income achieved through council tax base growth; it acts as an incentive for new homes in the absence of the New Homes Bonus and will assist in meeting the Government's target to build 1.5 million homes.
115. Additionally, formal council tax projections are not currently published, meaning we have no idea how accurate or reliable they are. Taxbase projections, just like population projections, would be based on previous years' trends, which might not reflect future capacity to grow, especially given the planned uplift in house building across the country.
116. It would be unacceptable to use untested projections which would have such a significant impact on headline allocations. Core Spending Power increases, most of which comes from presumed council tax rises, is frequently used as a headline for funding increases for local councils. Our members have long campaigned against this use of CSP as a measure of the funding provided to local councils. Using taxbase projections would further inflate this figure creating an even more misleading headline.
117. Our members' view is that neither population nor taxbase projections should be used in the multi-year settlement. The quality of both projections is insufficiently robust.

**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**

118. Our members do not support using projections for either population, council tax or council taxbase. These figures should all be frozen in 2026-27 and updated every time there is an update of the formula funding/business rates reset/revaluation.
119. It is preferable to have stability over the three-year period rather than to risk significantly over- or under-funding LAs due to the use of inaccurate projections.

**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?**

120. 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?**

**Please provide any supporting information, including any further information areas would find helpful in guidance.**

121. 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?**

**Please provide any examples of changes you would like to see to statutory duties, being as specific as possible.**

122. Our members have long been calling for significant and urgent reform to SEND and home to school transport legislation. These costs are unavoidable for our members due to the current legislation, but they are also unaffordable due to the mismatch between demand and funding.

123. The current overspends in DSG budgets are now being held in temporary negative reserves under the statutory override legislation. However, these negative reserves are growing exponentially and cannot continue to be unaddressed. Meanwhile the money has been spent, meaning less resources available for investment or funding internal borrowing. We estimate that this alone is costing our members over £300m a year.
124. To be clear, if the crisis in SEND funding goes unaddressed then many of our members (and others) will be forced to issue s114 notices regardless of the outcome of the Fair Funding Review.

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

**Please provide any additional information, for example any additional considerations which would strengthen this proposed assessment framework, and any data which would be used to assess against it.**

125. The framework appears sensible, but our members are concerned that any move to devolve a fee to LAs may not satisfy the condition regarding creating a disincentive for service users.
126. LAs are under significant financial pressure. Growing demands are outstripping growth in income and some services being subsidised from other budgets. This is unfair on taxpayers – the fees charged must cover the cost of the service delivery to ensure much needed services remain sustainable.
127. Our members would like to see Government’s position shift towards devolution as the default position, unless the sector considers it is more appropriate for a fee to remain centralised.

**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.**

128. Again, the consultation does not provide sufficient information to be able to fully consider this matter. The framework outlined in paragraph 11.2.3 appears to be highly subjective and no examples are given for the three categories of fees.
129. Our members would welcome the ability to levy a fee that pays for the service in question, ensuring the sustainability of services. The current situation, where some services are effectively being subsidised from other areas of the council is not appropriate and this should be addressed as a matter of some urgency.
130. Decisions about fees would be taken by each local authority in the same way that other decisions about fees are made, being scrutinised by the relevant committee or body with the papers and discussions in the public domain.

**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?**

**Please provide a rationale or your response. We are also interested in any further mechanisms which could be applied to fees that are updated or devolved, that will help strike a balance between those objectives.**

131. The measures listed will protect charge payers from excessive increases, but they also stifle local decision-making and freedoms. Allowing the Secretary of State to intervene when a cost is deemed excessive looks a lot like centralisation and a perpetuation of the “parent-child dynamic” which the Devolution White Paper stated would end. Many people would say that council tax increases in recent

years have been excessive, yet the Government is planning to bake these into the three-year settlement.

132. Fee setting decisions should be devolved to the relevant local body – full council or mayor, and subject to the same consideration given to other fee increases such as parking fees, garden waste collection and council tax, for example.

**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?**

133. The sector is under significant financial stress, and devolving fees would be a way to mitigate some of that pressure, but it must be done quickly. The current situation, whereby some services are being subsidised from other areas of the council must be halted. When a service attracts a fee, then the fee should be sufficient to fund the service.
134. Our members support this being carried out as soon as possible.

**Question 35 – Do you agree or disagree that these are the right [ASC?] relative needs indicators? Are there any other Relative Needs Indicators we should consider? Note that we will not be able to add additional indicators for a 2026-27 update.**

135. The Adult RNF will distribute over £26bn in funding within SFA, and it is essential that a robust formula is used. Our members strongly support the proposals to update the Adult Social Care RNF. The current formula is out-of-date and has been heavily criticised. DHSC had commissioned PSSRU to review the current formula, and we strongly support the decision to broadly use that new formula.
136. However, we note some of the data swaps listed in the consultation paper appear strange. For example, households with no family becomes households living with one family. Younger adults claiming DLA or long term unemployed to simply be replaced by the number of young people. Older people living alone becomes older people living in a couple. The consultation paper does not address the impact of some of these questionable swaps, nor how the new measures are being used.
137. For example, older people who are renting appears to be replaced with a measure based on older people who own their own home but with some kind of weighting according to council tax. It is not clear what that weighting is.

**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?**

138. CCN does not support using population projections within the ASC RNFs. As we have discussed, it is already too difficult to accurately project populations at the LA-level, and it is even more challenging for smaller population cohorts. We favour certainty over projections. Population estimates can be updated at the periodic resets and formula reviews, if these occur sufficiently frequently.
139. More specifically, the 2026-27 population projections are a long way from the 2021 rebasing and are likely to introduce more variation in population figures. ONS analysis shows that the further projections are from the base year, the more inaccurate the figures are.

**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?**

140. Disagree. The consultation paper provides very little detail on this adjustment, so it is very difficult to either support or oppose the adjustment being proposed. Paragraph 12.1.26 briefly describes the approximate data to be incorporated into the measure but contains no further information on the

construction of the adjustment. There simply is not enough information to be able to make an informed decision.

141. What the consultation does say is that the adjustment explains very little and if it were to be removed it wouldn't have a significant impact. On balance and given the lack of impact as well as confidence in the adjustment's ability to explain the differences, we do not consider it a worthwhile addition.

**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)?**

**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?**

142. Agree.

**Question 39 – Do you agree that ethnicity should be removed as a variable in the CYPS formula? Please explain your reasoning.**

143. Ethnicity data accounted for a significant number of the measures in the old Children's RNF, so our members will support the removal of the ethnicity data if and only if the researchers can offer assurances that this would not undermine their work.
144. It is not clear from the consultation what the impact of this decision will be or whether other proxy data will be included in its place.

**Question 40 – Do you agree overall that the new formula represents an accurate assessment of need for children and family services? Please share any reflections or suggested changes.**

145. Whilst the Department has shared lengthy papers from the research team on the new Children's formula, the sector has not benefited from being able to hear directly from the researchers at a working group, as would normally have been the case. This makes it difficult to understand the impact of some of the recent changes being proposed (e.g. removal of ethnicity) as well as assess its robustness.
146. The data has not been shared (for understandable reasons) nor is there an LA formula which can be examined and modelled. It is very hard to interrogate the proposals as a result.
147. The new formula appears to have a significant redistributive effect when compared to the current Children's RNF and the paper does not address this. LAs are asked to trust that these new allocations arrived at without a clear formula, and without ethnicity data which featured very prominently in the current RNF, are correct.
148. Many of our members stand to receive new funding allocations for Children's services which are significantly below their current levels of expenditure. For example, Herefordshire Council is spending £2,019 per head (2023-24 RO) but modelling suggests that they may only receive £1,059 in funding via the SFA (in 2026-27).
149. Many of the authorities who face a reduced allocations are rural authorities (Cumberland, Devon, Dorset, Gloucestershire, Shropshire, Somerset). The DfE and MHCLG must be more open to help councils understand more about the new formula to assess whether it is systematically under-funding rural and sparsely-populated authorities and to explain why the distribution of funding is so different from actual spending patterns. It is difficult to accept that spending has become so disconnected from the underlying needs, and that this has happened in such a systematic way.
150. There is much more work for DfE and MHCLG to do to defend the credibility of this formula.

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

151. Previous iterations of the funding distribution system have used net in-commuters, rather than gross commuters as suggested here. The consultation paper is unclear on the reason for this shift in data definition which would appear to carry the risk that commuters in built up areas are double counted. For example, commuters leaving London borough A to work in neighbouring borough B, would not be netted off against commuters leaving borough B to work in borough A. This would have the effect of increasing the weight of commuters in more urban areas.
152. CCN supports the principle that there should be additional funding for those authorities with high numbers of visitors. Some of our member authorities have significant numbers of visitors every year, both day visitors and overnight visitors, particularly those with large tourist economies. These non-residents can place significant pressure on services, and the cost of these services is not fully compensated by higher levels of income from car parking or other sources.
153. CCN would like to see more evidence from MHCLG to support the weightings applied to visitors within the proposed foundation formula. We would also like more scrutiny of the data that has been used.

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

154. The 2018 consultation proposed that the foundation formula, which tends to include services which don't have their own formula, be made up primarily of population, an ACA and a small uplift for deprivation. Work undertaken in 2018 proposed a flat, population-based formula and was underpinned by strong statistical analysis. It found that most of the variation in expenditure for the functions within the Foundation Formula could be explained by population. Adding deprivation increased the explanatory power of the formula, but only marginally (by between 0.4% to 4%). Other factors explained less than 1% of the overall variation in expenditure.
155. The measures presented in this consultation are different from the 2018 proposals; the inclusion of non-resident population (see answer to Question 41) and an increased weighting for deprivation. Although there is no evidence presented to suggest why there has been this change.
156. Although the deprivation weighting is not explicitly stated in the consultation, based on our analysis, it appears the weighting for deprivation in the proposed foundation formulas is considerably higher than the 4% suggested in 2018, with the uplift estimated at around 38% for metropolitan authorities.
157. Again, the evidence for this higher weighting is not presented as part of the consultation. Two of the key principles of the review are transparency and robustness; failure to disclose the evidence is contrary to both.
158. We request that the Department share the analysis and evidence underpinning the rationale for the increased weighting and use of non-resident population. We accept that there will always be a small element of judgement when constructing formulae, in the methods chosen and the balance between accuracy and simplicity. However, the use of judgement to obtain a certain outcome without clear evidence goes against the agreed principles for the review.

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

159. The Department's decision to update the Fire and Rescue RNF with more up-to-date data is a pragmatic solution given the time available to carry out the review. The current Fire and Rescue RNF is a good formula, which appears to contain all the elements of risk that you would expect.

- 160. Fire and rescue services are funded for risk and not activity, meaning that updating the formula regressions to reflect recent spending patterns is not necessary as it should be capturing underlying societal risk which can be done through a data update.
- 161. Fire and Rescue funding must be protected through stable funding from Government and the sector should not be forced to increase council tax above inflation simply to stand still in cash terms. If the fire and rescue sector cannot be protected within the settlement, then the Department must consider whether it might be better served outside the settlement process.
- 162. A well-resourced fire service comes at a relatively small price in terms of the overall settlement, but an under resourced fire service risks a very heavy cost.

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

- 163. Our members agree that the highways maintenance RNF should be reflected in its own formula given that its drivers of need are spatial in nature, rather than demographic. Intuitively, a formula based on road length and traffic flow, together with an ACA uplift to reflect the cost of labour, appears correct. However, the new formula omits the old winter maintenance uplift which predicted the number of gritting days and days with snow lying. Whilst not a universal measure of need, this was an important feature of the current RNF for some county authorities, particularly those with colder temperatures and more high-level routes. We ask that this decision be revisited as, again, it disadvantages some of our most rural members.
- 164. Additionally, the information provided in the consultation is not sufficient to be able to replicate the need figures published in the need calculator. Our members are concerned that further manipulation of data has been carried out aside from a simple formula based on unadjusted road lengths and traffic flow data.
- 165. We ask MHCLG to be more transparent in its publication of modelling. The accompanying annex sets out a formula and datasets but then fails to publish the full set of modelling. This is unacceptable, especially given the short consultation period.

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

- 166. CCN strongly supports the introduction of the new HTST RNF. Home to School Transport is a significant area of spend for our members and it is correct that it should be recognised through its own formula in the distribution.
- 167. In July, the LGA published analysis predicting the cost of home to school transport for children with special educational needs and disabilities (SEND) to reach nearly £2bn by the end of the year. This represents a 200% increase on a decade ago.
- 168. The LGA's analysis highlights that the average one-way trip to school for pupils with SEND is nine miles, with a growing number travelling very long distances to schools, due to a lack of suitable provision closer to their homes.
- 169. The consultation paper states that MHCLG has proposed capping the distances at 20 miles to "*reflect the expectation that children and young people should, where possible, be placed in schools close to their home*". However, there is no rationale offered for this cut-off and 20 miles appears to have been arbitrarily selected. Councils have a legal duty to provide home to school transport for children with

SEND, and **there is no cap of distance in the legislation**. Imposing a cap via the funding mechanism will only exacerbate pressures in the service.

170. Clearly, parents and LAs would prefer children to attend schools near their homes, but that is not always possible. With the ending of the rural services delivery grant in 2025-26, the Department must ensure that pressures specific to rural areas are mitigated in the funding formula. We therefore request that the cap be removed to ensure that the service costs for our most rural members are properly recognised.

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

171. LAs provide critical services to some of the most vulnerable members of society – from children’s social care, education provision for children with SEND, through to housing and care for adults of all ages. Failure to adequately and appropriately fund these services not only risks the service in question but also impacts the delivery of others.
172. The proposals set out in this consultation are, in the most part, based on academic evidence, albeit sometimes out-of-date or lacking in transparency, but there remain gaps in the consultation. The most obvious gap is the lack of exemplifications but there are others; for example, the evidence for higher-than-expected weightings for certain measures, such as deprivation, is not provided.
173. For many of our members now, carrying large DSG deficits, facing rapidly increasing demand for home to school transport and SEND services, as well as the problems in the social care markets, their biggest concern is that they remain solvent in the medium term. The consultation paper contains no information about how, or even if, the Government has considered the sustainability of councils.
174. With exceptional financial support being far less “exceptional” in recent years, a less-than-generous spending review for the sector, and above-inflation increases in council tax baked into the three-year period, is the Department confident that the significant changes proposed in this consultation do not further destabilise the sector?

## **Appendix 1 – Overview of Pixel Modelling Assumptions**

### **SFA 26-27 to 28-29**

- We have used the new Relative Needs Formulas (RNFs) and the weightings to calculate "needs shares". The existing Settlement Funding Assessment (SFA) and all the rolled-in grants and funding streams have been distributed using the new "needs shares". Also included in this distribution are the Resources Deduction (£38.4bn) and a top-slice for the GLA (estimated at £1.2bn).
- Rolled-in amounts include £1.5bn from the BR baseline reset and the cap compensation payments (£2.695bn). Homelessness Prevention Grant also rolled in (45%).
- Losses and gains have been phased on over 3 years (one-third in 26-27, two-thirds in 27-28, and full changes in 28-29).
- Future growth in SFA built-in to future years based on assumed increases in funding from Spending Review 2025.

### **Resource deduction**

- Calculations for the Resource deduction using data from CTB1 2024.
- We have deducted Band D Equivalents for second home premium and LCTS for pensioners, and applied the formula in the consultation for working-age LCTS.
- Collection rate is set at 100%, and estimated Band D is £2,000 (per the consultation paper).

### **Damping 26-27 to 28-29**

- Damping baseline is Core Spending Power 2025-26 plus each authority's above-baseline retained rates and their actual cap compensation payments, plus Homelessness Prevention Grant payments (45%). Damping floor set at 0% for all authorities. Assumes growth in council tax based on taxbase and Band D increases.
- Damping payments funded by scaling-back increases in other authorities.
- Assume gains from business rates pools and pilots are excluded from the damping baseline.