

CONSULTATION RESPONSE

PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2026-27

JANUARY 2026



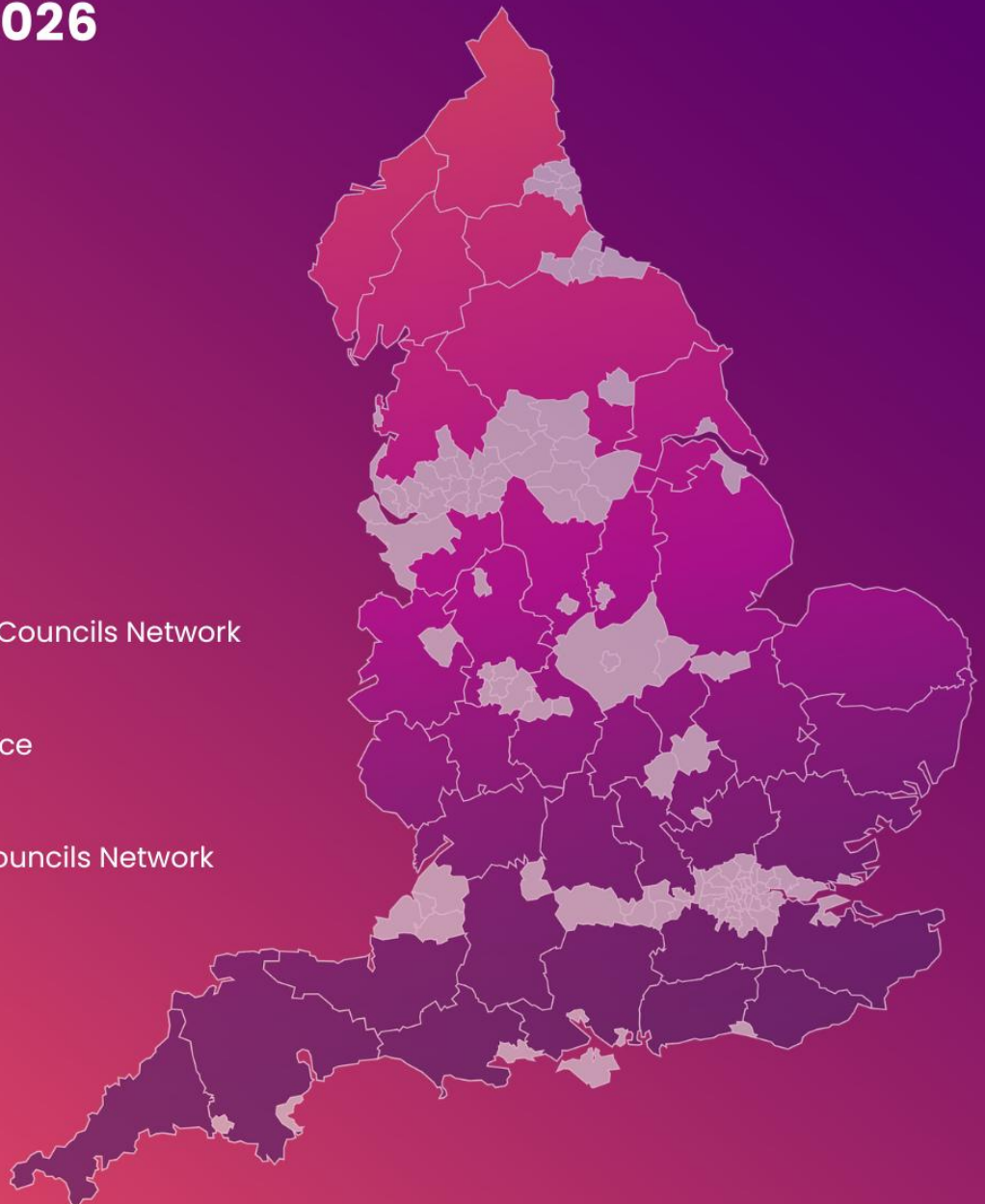
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Summary Response

- In response to the June consultation, CCN outlined that the Government has delivered a more balanced approach to its proposals than many of our member councils may have feared. While strongly disagreeing with the government's proposals for full council tax equalisation, and the reliance on presumed council tax rises of 5%, many of the changes that were proposed in the needs assessment within the consultation were based on evidence and were technically sound, in line with the principles of the Review, and responding to the advocacy of CCN.
- CCN recognise the certainty provided by a three-year settlement and welcome the increase in government funding over the next three years for some of our member councils. **However, it is deeply disappointing and concerning, as we outlined in response to the policy statement, that ministers have chosen to move away from this balanced, evidence-based approach, implementing changes to the original proposals such as the continuation of the Recovery Grant, a dramatic reduction in remoteness within the Area Cost Adjustment (ACA) and new funding floors that clearly disproportionately benefit London and metropolitan boroughs at the expense of all county and rural areas.**
- Pixel analysis estimates that the changes since the summer consultation within the ACA, primarily due to the removal of remoteness, results in a reduction in funding over £300m for CCN member councils. In addition, Pixel estimates CCN authorities lose over £200m from decisions to continue Recovery Grant.
- It is clear that these last-minute changes, implemented against the available evidence, are intended to achieve a pre-determined outcome and to increase the funding share for certain local authorities. They raise serious questions over whether ministers are unfairly cherry picking which councils benefit from extra funding. Most CCN authorities have a lower share of funding in the provisional settlement than was expected in the Summer, even before we adjust for the excessive taxbase growth including the discretionary second-homes premium. This demonstrates very clearly that ministers have made decisions that actively favour urban authorities at the expense of all county authorities.
- **Overall, our member councils are deeply concerned by the impact of the provisional settlement and outcome of the Fair Funding Review. CCN is currently undertaking a Budget Survey with its 39 councils to provide feedback on the impact of three-year settlement on their authority. At the time of writing, some 77% of CCN member councils describe the impact of the provisional settlement and outcome of the Fair Funding Review on their financial position as 'negative', of which 47% said 'very negative'. Only 13% describe the proposals as having a positive impact, with 10% neutral.**
- As a result of these changes implemented at the policy statement, the provisional settlement suggests CCN authorities will receive below-average increases in CSP over the next 3 years, even if they increase their Band D by the maximum available. These increases also rely on the clearly unrealistic taxbase growth assumptions. The CSP growth average for CCN is 14.2%, two percentage points lower than the average for upper-tier authorities. CCN unitaries are particularly badly affected, with an increase of only 12.7% over the next 3 years. Collectively, county authorities have been the clear losers from this funding review compared to other types of upper-tier authority outside of a small number of Inner London authorities. Overall, 74% of the increase in CSP by 2028-29 is derived from expected increases in council tax. For county authorities, the reliance on council tax is even higher, with the increases in CSP almost entirely funded from expected increases in council tax. The provisional settlement suggests that 92% of the increase in shire counties' CSP is funded from council tax, and 107% for county unitaries.
- In total, across the 39 members of CCN, only 4% (£133m) of the total three-year CSP increase (£3.6bn) is funded through grant funding. In contrast, 53% of metropolitan authorities' CSP increase is funded from

grant funding (£1.6bn), while for non-CCN unitary authorities 35% (£641m) is funded through government grant and London Boroughs collectively will see 33% (£535m). Therefore, within the settlement, there is a huge transfer of council tax income away from county authorities in order to fund higher increases in grant funding in urban authorities in London and metropolitan areas. Without council tax rises over the next three years, 35 of the 39 county and rural unitary authorities would see a real-terms reduction in funding.

- As result of recent changes, funding increases for CCN authorities gaining from the FFR will be lower than previously anticipated, and extremely modest for the majority, while 19 of our councils will see their government grant cut – some substantially. **With rising costs significantly outstripping new funding, new analysis contained in this submission shows that CCN member councils will see their funding gap rise from £2.7bn in 2026/27 to £4.9bn by 2028/29, resulting in a cumulative gap of £11.3bn over the three-year settlement. This represents 48% of the entire national funding gap over the period.**
- **This analysis clearly shows there are insufficient resources within this multi-year provisional settlement to successfully 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 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. The extent of the funding gap facing our authorities means councils will have no choice but to make further cuts to services, with more councils applying for exceptional financial support over the next three years.
- Moreover, with full council tax equalisation and an overwhelming reliance on 5% annual council tax increases over the next three years to fund Core Spending Power (CSP), the simple fact remains that county taxpayers, the length and breadth of this country, will foot the bill for these reforms. Analysis later in this submission shows that new government grant will fund just 2% of the £7bn 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 42% of the total £3.75bn increase in estimated costs of providing services in these areas.
- **Given the disproportionate and growing funding gap facing our member councils, wider pressures facing council finances, and reliance on council tax for CCN member councils to fund CSP increases over the next three years, Government must therefore take steps to provide significant further additional funding at the final settlement to help protect county and CCN unitary authorities from reductions in funding and reduce the growing funding gap facing our member councils.** Alongside this, as detailed further on this submission, the CCN also calls on the government to:
 - **Reduce the burden of Council Tax in funding the review and the inequity of the way in which this burden is shared across the country, and remove discretionary second homes premium taxbase increases from the projected CSP figures.** We do not support the inclusion of the full increase in Band D in authorities' CSP allocations, and the assumption that authorities will apply their full increase. MHCLG has included within the taxbase uplift the additional revenue that has been generated from the 100% second home premium that billing authorities were able to start applying from April 2025. Clearly, this is a one-off uplift in the taxbase and will not be repeated in future years, and it is wrong to include it in future council tax growth.
 - **Increase the role of the remoteness factor in the assessment of the costs of delivery and reinstate the remoteness weighting into all the needs formulae, recognising the additional costs of providing services in rural areas.** CCN strongly disagrees with the decision to remove remoteness from every RNF except adult social care. This decision appears to be driven by political considerations rather than technical ones and had a very negative effect on many CCN authorities.

Analysis undertaken by MHCLG itself - which led to a conclusion that there was a “compelling theoretical case”, and evidence submitted by CCN, shows that there should be a remoteness uplift in the ACA in every RNF. There is no doubt that this cost driver exists; the only question is the appropriate weighting for each service. The government have provided no clear evidence in support of this change - citing only the “views of stakeholders”, a clear plurality of whom agreed with the proposal to retain the adjustment in full. We would therefore argue remoteness should continue to be applied to all ACAs, even if the weightings are reduced compared to the summer consultation.

- **Remove or reduce the Recovery Grant and allocate grant based on the needs-assessment, or at the least provide evidence for why government thinks the Grant is still needed.** Authorities across the country are under great financial stress and deprivation is an important factor in the fair distribution of resources, but it is only one of many. The decision to continue the Recovery Grant in 2026-27 (and in the subsequent two years) is clearly motivated by ministerial decisions to subjectively increase the funding share for certain local authorities. Some of the authorities who received the first tranche of Recovery Grant lost-out from the current funding reforms. Continuing the Recovery Grant is a way of directing funding to these authorities. The government did not consult previously on continuing this grant and it is contrary to the principles for the funding review, which is to use the “best available evidence”. The whole purpose of the review was to allocate existing resources as efficiently and effectively as possible, by carrying out a comprehensive review of current needs and resources. The Recovery Grant is not consistent with that approach. The government has provided no evidence to support its quantum and distribution, and there is no meaningful or reliable approach to assessing the impact on services of past settlements, which the government argues is the reason for continuing this grant.
- **Reduce the burden on all authorities of the high cost of the transition scheme and consider funding the cost of the floor from those that gain the most, rather than those who are on the floor also paying for the floor.** CCN does not agree with the levels of the funding floors: there should be much more consistency across the various floor arrangements. Either authorities should receive real-terms protection, or the floors should be designed to move authorities to their funding targets within a set period of time. Ministers have achieved neither consistency in terms of protection nor phased-out damping over time. The result is a confusing and inconsistent transition regime, that treats authorities in similar circumstances very differently. It also creates arbitrary cliff-edges. There is no justification for this, other than ministers choosing to act on a selective basis.
- **Revisit the allocation of BRRS income within business rates pools in two-tier areas and share the gains from pooling fairly – allocating at least 30% to counties.** The arrangements for recognising BRRS income within business rates pools are clearly wrong. Pixel estimate that the additional business rates retention from the pools is more than £300m. This additional income has been allocated to tariff authorities based on their “levy gain”. In other words, all the pooling gains have been allocated to shire district councils within the county business rates pools. County councils have been allocated none of the pooling gains. Based on the pooling MOUs that we have seen, shire counties should be allocated between 30% and 50% of pooling gains.
- **At the final settlement as a matter of urgency set out the full plans for managing historic Special educational needs and disabilities (SEND) deficits.** CCN members’ cumulative deficits are estimated to be £8bn by March 2028, and the national total is estimated to be around £14bn. 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. Government must set out an equitable approach to dealing with the March 2028 deficits where local authorities are entirely compensated for their costs, including those who contributed reserves during the safety valve scheme.

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 39 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.
3. We welcome this opportunity to respond to this consultation on behalf of our member councils and to set out our full response to the final Fair Funding Review (FFR) 2.0 proposals and subsequent provisional settlement. Below we set out detailed responses to the individual consultation questions. Before this, we set out our overview response to the overall outcome of the three-year settlement, including on the impact of the proposals on the financial position of our member councils and wider sector over the remainder of this parliament.
4. To support this submission, CCN commissioned PricewaterhouseCoopers LLP (PwC) to provide an updated analysis of the spending pressures facing local government in England, focusing on the period of 2023/24 up to 2030/31. Analysis from this updated research, alongside an estimated funding gap analysis developed in collaboration with Pixel Financial Management (Pixel), is outlined later.
5. This is the first time that government has provided actual financial outputs on the impact of FFR on the sector, something that CCN has consistently raised concerns over. In responding to this consultation, it is therefore important to note that this, combined with short consultation period and significant changes outlined in the Policy Statement, has left representative bodies and councils with insufficient time to fully consider these consultation proposals. This is disappointing given the scale and impact of the proposals being implemented and made 2026/27 budget planning extremely difficult for our member councils.
6. The lack of exemplifications earlier in the process has left representative bodies and councils reliant on external modelling to understand the potential impact of these changes. CCN provided its own modelling by Pixel within its June consultation response, and as stated within that consultation response, our position was contingent on our estimates being approximately correct and that any further ministerial changes did not alter this position to the detriment of our member councils. CCN therefore has, and continues, to judge the outcome of the provisional settlement against these modelling outputs.

Consultation & Policy Statement changes

7. CCN has long argued that the funding system for councils is out-of-date and in desperate need of reform. Over recent months the network has engaged positively with the Government as it developed its initial proposals, consulted on during the summer.
8. Throughout this period, CCN always recognised that the Fair Funding Review 2.0 could result in vastly different outcomes for our county and unitary authorities. Across the sector, and within our membership, there would be winners and losers from any proposals. CCN has sought 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. **Most importantly, CCN has consistently outlined that the proposals must be robust and evidence-led, resulting in a fair outcome that can be justified by Ministers within the context of an extremely challenging fiscal environment for local government.**

9. In November at the Policy Statement, the government announced a number of major changes to their proposals following the summer consultation. Some of the changes in the funding distribution since have some technical justification, such as the update to the Index of Multiple Deprivation 2025, even if the choices made by ministers are based on ministerial judgement such as the original weighting for deprivation and subsequent inclusion of housing costs.
10. Other decisions such as the continuation of the Recovery Grant and the removal of 'remoteness' from almost the whole funding formula have clearly been made with very little – or no – technical backing. As the government's self-appointed peer reviewer of the FFR has stated publicly:

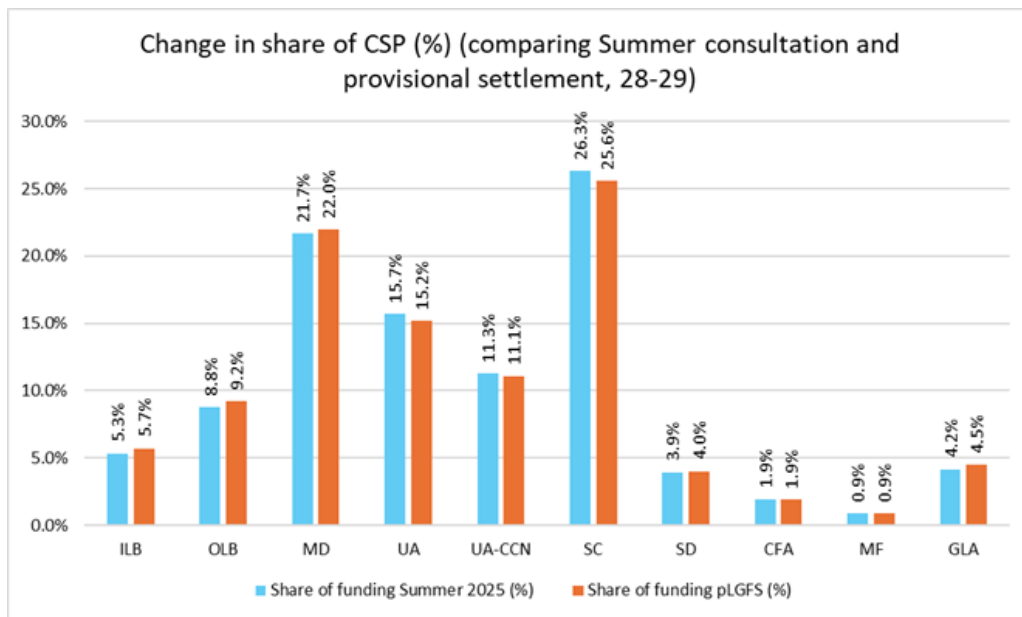
"The government has also announced several changes which will favour a particular set of councils – those that received any of a £600 million recovery grant ...it is difficult to see a principled basis for these decisions other than to achieve an overall allocation more in line with the government's subjective judgement".¹

11. **It is clear that these last-minute changes, implemented against the available evidence, are intended to achieve a pre-determined outcome and to increase the funding share for certain local authorities. They raise serious questions over whether ministers are unfairly cherry picking which councils benefit from extra funding.** We set out our detailed concerns with these policy changes further on.
12. It is extremely disappointing that this is the outcome of a decade-long process to review the funding of local authorities. Instead of the promised evidence-led process, Ministers have failed to follow their own principles. In the December 2024 consultation, a key principle was that the new funding system would use the "best possible objective analysis and evidence". This was echoed in the ministerial statement on 17 December 2025: "We will introduce an evidence-led system of determining need". This is clearly not an accurate reflection of the settlement, or the decisions that have been taken in recent months by Ministers. There is now an excessive focus on deprivation, without the evidence to support the links between funding, outcomes and deprivation. And there are decisions that have been made that cannot be supported by the available evidence or objective analysis.
13. **Overall, our member councils are deeply concerned by the impact of the provisional settlement and outcome of the Fair Funding Review. CCN is currently undertaking a Budget Survey with its 39 councils to provide feedback on the impact of three-year settlement on their authority.² At the time of writing, some 77% of CCN member councils describe the impact of the provisional settlement and outcome of the Fair Funding Review on their financial position as 'negative', of which 47% said 'very negative'. Only 13% describe the proposals as having a positive impact, with 10% neutral.**
14. The impact of decisions ministers have taken can be seen by comparing modelling estimates by Pixel on the proposals in the summer consultation of the anticipated share of Core Spending Power (CSP) councils could have received with the outcome of the provisional settlement:
 - Overall CCN share of funding: reduced from 37.6% in the Summer to 36.7% in the provisional settlement
 - Shire counties: reduced from 26.3% to 25.6%
 - CCN unitaries: reduced from 11.3% to 11.1%³

¹ <https://ifs.org.uk/articles/immediate-response-local-government-finance-policy-statement>

² Based on an 85% response rate at the time of writing.

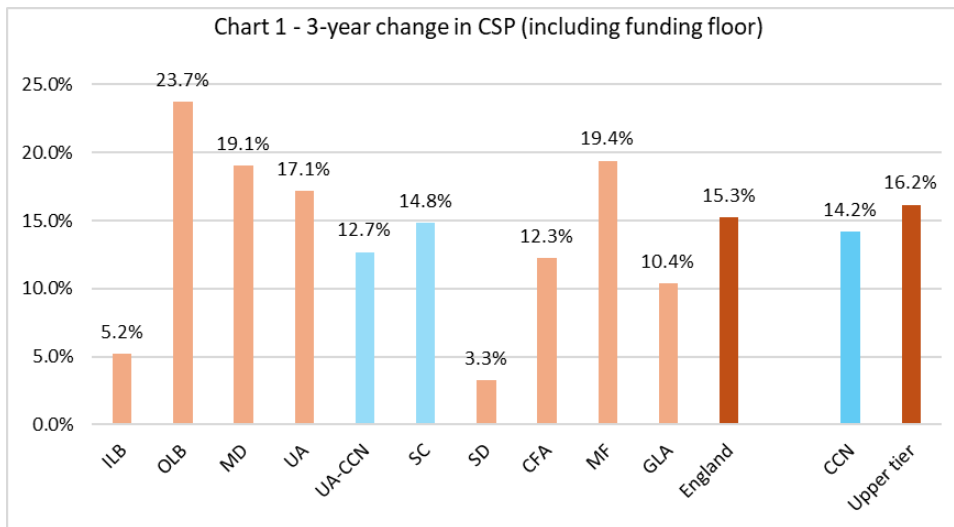
³ The reduction in CSP share will be understated for CCN unitary councils due to excessive taxbase growth projections which includes second homes income.



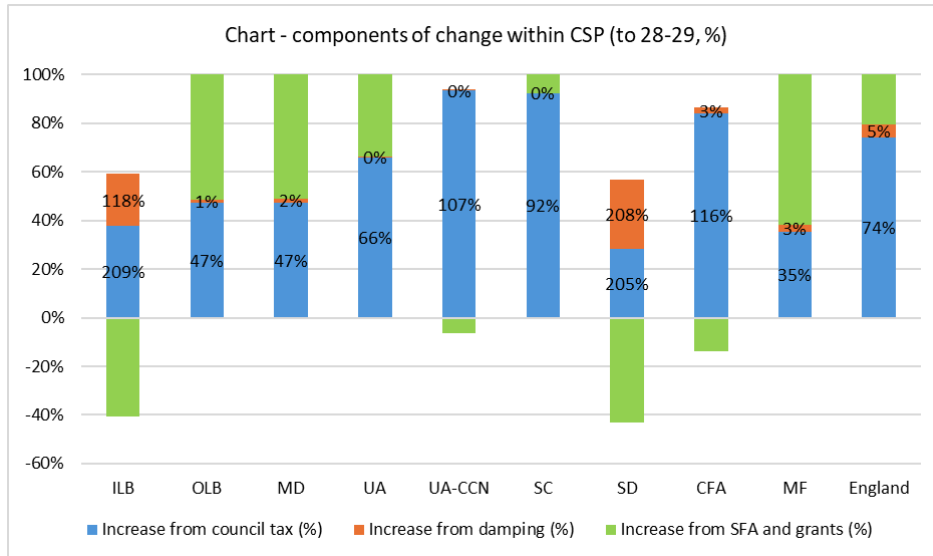
15. In contrast, the funding shares for the urban authorities have increased in the provisional settlement: inner London from 5.3% to 5.7%, outer London from 8.8% to 9.2%, and metropolitan authorities from 21.7% to 22.0%. This shows the decisions made by Ministers to favour certain types of authority.
16. CCN authorities have a lower share of funding in the provisional settlement than was expected in the Summer, even before we adjust for the excessive taxbase growth including the second-homes premium. This demonstrates very clearly that ministers have made decisions that actively favour urban authorities at the expense of all county authorities.
17. Those CCN authorities with the largest reductions in funding share in the provisional settlement are those with large rural populations and who had high remoteness uplifts in the summer consultation. For instance, Westmorland and Furness's, share of funding falls from 0.42% to 0.38% (and reduction of more than 10%). There is a very strong correlation between remoteness scores and the reduction in funding share compared to the Summer.
18. Other factors also affected county authorities. Both North and West Northamptonshire received a much lower share of funding in the provisional settlement (down by 9.1% and 5.4% respectively), largely because of the changes in the children's RNF. Both these unitary councils, alongside Westmorland Furness and Cumberland, created following the recent disaggregation of their predecessor county councils, have raised concerns with the department around the accuracy of the data underpinning their funding allocations and interaction with their recent reorganisation. We ask the department to engage closely with these authorities on their concerns.
19. As we outline further below, the lack of transparency in the development of this settlement also means these authorities and all other councils have been unable to validate the data and calculations used for the individual RNFs and the overall funding allocations. Instead of each authority being provided with all the data and calculations that have been used, we have instead a series of wholly inadequate "explanatory notes". These are not sufficient for authorities to replicate the calculations. And more worryingly, the data that has been released shows some errors. Taxbase growth projections within CSP figures wrongly include the increase related to second homes, and there are discrepancies in the use of the 2018-based population projections in the presentation of CSP per head figures, which need to be cleared-up. If these errors are repeated within the RNFs themselves, then the integrity of the settlement itself would be fatally undermined

CSP Increase and reliance on council tax

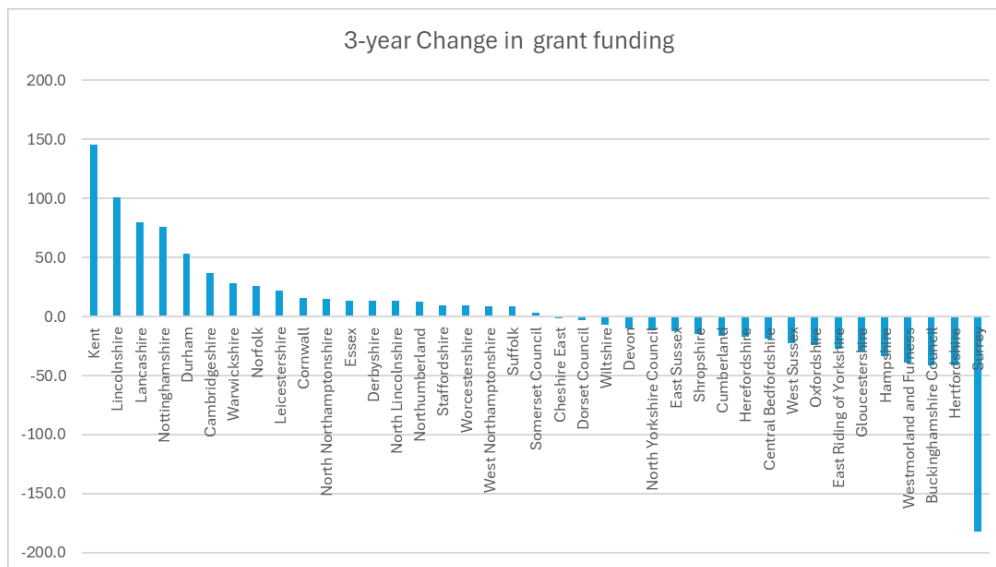
- 20. As a result of these changes implemented at the policy statement, the provisional settlement suggests that CCN authorities will received below-average increases in CSP over the next 3 years, even if they increase their Band D by the maximum available. These increases also rely on the clearly unrealistic taxbase growth assumptions.
- 21. The CSP growth average for CCN is 14.2%, two percentage points lower than the average for upper-tier authorities. CCN unitaries are particularly badly affected, with an increase of only 12.7% over the next 3 years. We can see from this analysis that, collectively, county authorities have been the clear losers from this funding review compared to other types of upper-tier authority outside of a small number of Inner London authorities. Overall, this represents a significant outflow of funding away from county areas and towards urban areas.



- 22. As previously stated, CCN recognise that some of our member councils receive grant funding increases as a result of proposals, some substantial. However, for our members, the outcome is particularly concerning because the new funding system is largely dependent on council tax raised, with the 3-year settlement now over-reliant on increases in council tax. Overall, 74% of the increase in CSP by 2028-29 is derived from expected increases in council tax. For county authorities, the reliance on council tax is even higher, with the increases in CSP almost entirely funded from expected increases in council tax. The provisional settlement suggests that 92% of the increase in shire counties’ CSP is funded from council tax, and 107% for county unitaries.



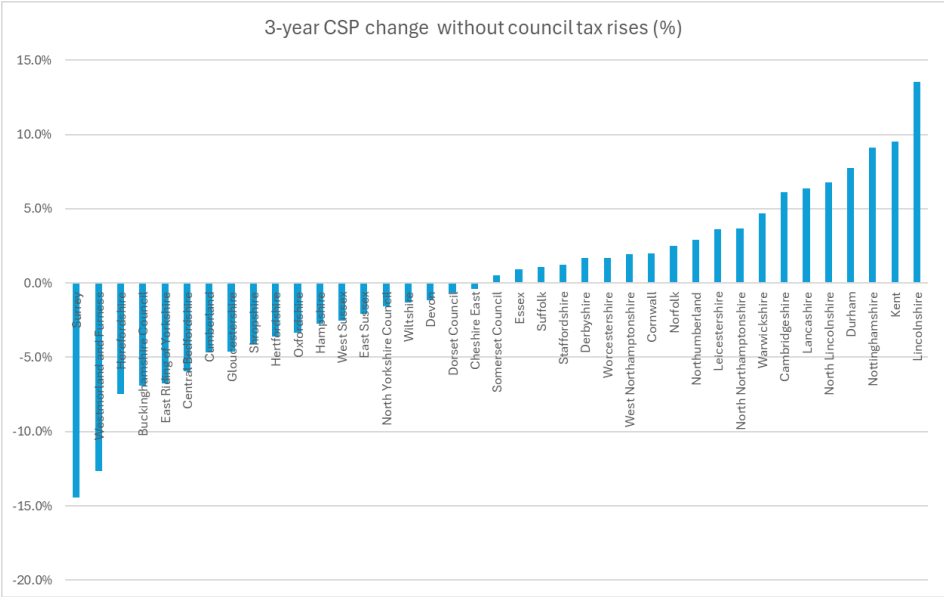
23. Some 20 counties and CCN unitary authorities will see grant funding increases totalling £688m. This grant funding increase for these authorities is lower than anticipated in our modelling included within CCN’s response to the June consultation. Even county authorities which are expecting funding increases from the reforms will be dependent on council tax rises to fund services. On average, these authorities will derive 76% of their increase in CSP from council tax rises, with some as high as 96%.
24. However, some 19 counties and CCN unitary authorities will see cuts in government funding, with these totalling £555m. Both the number of authorities witnessing grant reductions, and the collective total, is higher than anticipated in our modelling included within CCN’s response to the June consultation. 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 prevent them falling below the proposed 0% funding floor.



25. In total, across the 39 members of CCN, only 4% (£133m) of total three-year CSP increase (£3.6bn) is funded through grant funding. In contrast, 53% of metropolitan authorities CSP increase is funded from grant funding (£1.6bn), while for non-CCN unitary authorities 35% (£641m) is funded through government grant and London Boroughs collectively will see 33% (£535m). Therefore, within the

settlement, there is a huge transfer of council tax income away from county authorities in order to fund higher increases in grant funding in urban authorities in London and metropolitan areas.

26. Without council tax rises of 5% over the next three years, 35 of the 39 county and rural unitary authorities would see a real-terms reduction in funding.⁴ Nationally, CCN authorities are expected to provide 46% of all the additional revenue from council tax over the next three years, receiving just 4% of other Core Spending Power (settlement grants and baseline funding). If grant was shared more in line with the average split between council tax and grant funding, CCN authorities would see an additional £850m in government grants in 2028-29. Instead, this is expected to be borne by taxpayers in CCN areas.



Spending Pressures and Financial Sustainability

27. This three-year funding settlement comes at a time of significant increasing spending pressures on local government, with new spending projections for CCN showing that these are now higher than previously anticipated: outpacing the increase in CSP and resulting in a significant and increasing funding gap for local government, and in particular for CCN member councils as result the provisional settlement.

28. In 2025, PwC was commissioned by CCN to provide an updated analysis of the spending pressures facing local government in England, focusing on the period of 2023/24 up to 2030/31. This analysis builds on PwC’s previous work, published in September 2024, which conducted an analysis of the spending pressures for the period from 2022/23 to 2029/30.⁵ The updated analysis follows the same methodological approach and examines the same service areas as the 2024 report, with the full analysis available upon request. Key updates from the previous analysis include:

- Updated expenditure and volume inputs using 2023/24 outturn data. Spending in 2023/24 was higher than projected in the previous analysis, which results in a higher baseline and therefore higher projected spending across the forecast period.
- Updated assumptions for the volume and cost drivers, reflecting the latest outturn data and updated forecasts for inflation, earnings growth and population growth. These updates result in higher projected growth rates compared to the previous projections.

⁴ Assumed annual real-terms growth is anything above 2.5% per year.
⁵ <https://www.countycouncilsnetwork.org.uk/download/5462/?tmstv=1767888478>

- An explicit adjustment has been applied to reflect the National Living Wage increase implemented in April 2025. This increase was higher than the earnings growth assumptions used in the modelling and is therefore assumed to place additional cost pressure on adult and children’s social care.
- Updated estimates of the impact of recent service-specific cost pressures in adult social care, children’s social care and SEND home to school transport. These adjustments now incorporate an additional year of outturn data for 2023/24. As recent outturn growth exceeded the forecast drivers, this increases the scale of the adjustment and the resulting projections.

29. As a result of these updates, the analysis shows under CCN’s main scenario of a continuation of recent spending pressures,⁶ that the growth in local government expenditure is expected to be significantly higher than the previous analysis. The table below compares the updated results with those of the 2024 report for the period 2025/26 to 2028/29. In each year, total projected spending need is higher than previous forecasts.

Table 1: Percentage change for scenario 1 (continuation of spending pressures)

LA Type	2025/26 (%)	2026/27 (%)	2027/28 (%)	2028/29 (%)
CCN total	+16%	+20%	+22%	+24%
All LA total	+16%	+19%	+21%	+23%

30. The table below shows PwC’s new estimates of total spending need under CCN’s main scenario of a continuation of recent spending pressures between 2025/26 and 2028/29. Over the period of the multi-year settlement, CCN member councils will witness the largest increase in spending pressures (23.3%), with the increase in costs totalling £7bn between 2025/26 and 2028/29.

Table 2: Total spending need projection (continuation of spending pressures) (£m)

LA type	2025/26	2026/27	2027/28	2028/29	% Change 25/26-28/29
London	12,182	13,056	13,892	14,795	21.4
Non-CCN unitaries	12,990	13,942	14,853	15,830	21.9
Metropolitan boroughs	16,930	18,181	19,384	20,681	22.2
Districts	3,801	3,904	4,002	4,106	8.0
CCN	30,097	32,450	34,700	37,110	23.3
All LAs	76,001	81,533	86,831	92,521	21.7

31. CCN estimates new government grant will fund just 2% of the £7bn increase in costs of providing services in county and CCN unitary areas over the next three years, while the increase in grant funding for metropolitan authorities will fund 42% of the total £3.75bn increase in estimated costs of providing services in these areas.

⁶ As with the previous 2024 report, PwC also modelled an alternative scenario of an ‘easing’ of cost pressures in future years based on the government introducing national policy interventions to lower cost pressures. Under this scenario, the adjustment for recent service-specific cost pressures in adult social care, children’s social care and SEND home to school transport is removed from 2028/29, resulting in total spending need being £2.9bn lower in 2028/29.

Table 3: Increase in grant funding and spending need 2025/26 to 2028/29

LA type	Increase in grant funding included within CSP 2025/26 to 2028/29 (£m)	Increase in spending need 2025/26 to 2028/29 (£m)	Increase in grant as a % of increase in spending need 2025/26 to 2028/29 (%)
London	535	2,613	20.5%
Non-CCN unitaries	642	2,839	22.6%
Metropolitan boroughs	1,565	3,751	41.7%
Districts	-112	305	-40%
CCN	134	7,013	1.9%

32. As with the report published in 2024, Pixel has undertaken separate funding analysis to create an estimated funding gap for the period 2026/27 to 2028/29 using PwC projections on spending need. Funding calculations are based on the multi-year CSP allocations contained in the provisional settlement (including rolled in grants, council tax rises of 5% and base growth), with consolidated public health grants also included. Appendix 1 provides a full breakdown of the grants included and assumptions additional where required.⁷
33. Table 4 shows the estimated funding gap by local authority tier. CCN member councils will see their funding gap rise from £2.7bn in 2026/27 to £4.9bn by 2028/29, resulting in a cumulative gap of £11.3bn over the three-year settlement. This represents 48% of the entire national funding gap over the period. The impact of the increased funding for metropolitan boroughs, in particular, can be seen with their cumulative gap representing just 6.4% of the national funding gap over the period.

Table 4: Funding gap (£m) 2025/26 to 2028/29

LA type	2026/27	2027/28	2028/29	Cumulative gap 26/27-28/29
London	644	1,064	1,403	3,111
Non-CCN unitaries	1,455	1,758	2,111	5,323
Metropolitan boroughs	182	467	833	1,482
Districts	594	652	707	1,953
CCN	2,726	3,749	4,861	11,336
All LAs	5,601	7,689	9,914	23,204

34. **This analysis clearly shows there are insufficient resources within this multi-year provisional settlement to successfully 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 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. The extent of the funding gap facing our authorities means councils will have no choice but to make further cuts to services: with more councils applying for exceptional financial support over the next three years.
35. **Given the disproportionate and growing funding gap facing our member councils, the wider pressures on council finances, and CCN member councils' reliance on council tax to fund CSP increases over the next three years, Government must take steps – at the final settlement – to**

⁷ Funding gap analysis conducted solely by CCN and Pixel using PwC updated spending need estimates.

provide significant additional funding. This is needed to protect county and CCN unitary authorities from reductions in funding and to reduce the growing funding gap facing our member councils.

Special Educational Needs & Disabilities

36. But these revenue pressures come alongside significant other pressures, none more so than special educational needs and disabilities (SEND) deficits. Research published by CCN in November 2025 showed that CCN members' cumulative deficits are estimated to be £8bn by March 2028, and the national total is estimated to be around £14bn. 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.
37. The Autumn 2025 Budget announced that from 2028 the Government will fund the costs of SEND within RDEL. The OBR stated that this means that LAs would not build up further DSG deficits from March 2028, however it did not explain what would happen to the deficits that had already accumulated by then. Despite the Budget strongly indicating that the Government would fund the whole cost of SEND from April 2028 when the Statutory Override ends, the provisional settlement included a form of words which cast serious doubt on that.
38. The Provisional Settlement set out plans for the DfE to set a DEL which it deems to be sufficient and to distribute this to local authorities. "Local authorities will of course be expected to manage the system effectively and where this is the case, we [Government] would not expect local authorities to need to fund future special educational needs costs from general funds". However, this simply describes how all central-to-local funding works – except that it is rarely perfectly matched to costs/demands.
39. There was some welcome news for CCN members when the minister announcing 2026-27 DSG allocations admitted that "...the extent of the divergence between high needs NFF [National Funding Formula] allocations and spending in different local authorities raises questions about aspects of this allocation methodology. The Department will therefore review the high needs funding system for future years, to ensure that it will properly support the reformed SEND system". CCN has long held the view that there is a strong relationship between deficits and low per-head funding, and will continue to campaign on this issue.
40. **At the final settlement, as a matter of urgency, the Government must set out full plans for managing historic SEND deficits.** Given the magnitude of the overspends, the sector requires certainty on this issue. At the final settlement ahead of publication of the Schools White Paper, it is critical the government confirms:
 - A fair and sustainable approach to SEND post 2028
 - Sufficient funding to deliver the redesigned delivery model
 - An equitable approach to dealing with the March 2028 deficits where local authorities are entirely compensated for their costs, including those who contributed reserves during the safety valve scheme.

Local Government Reorganisation

41. This three-year settlement also comes at a time when the Government is undertaking LGR in 21 remaining two-tier areas. When combining county and shire districts these areas face a net-loss, with a very wide range of outcomes. Moreover, our funding gap analysis also shows district councils face a significant funding gap over the period, with county and district councils having a combined cumulative funding shortfall of £10.5bn over the next three years. 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.

42. The outcome of the FFR and provisional settlement 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. It is critical that in ensuring this, the government robustly evaluates all proposals submitted. 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.
43. Given the changes in the income protection which benefits districts, this also creates a further cliff edge in 2028/29 which will need to be addressed during implementation as well dealing with the cost pressures caused the settlement.

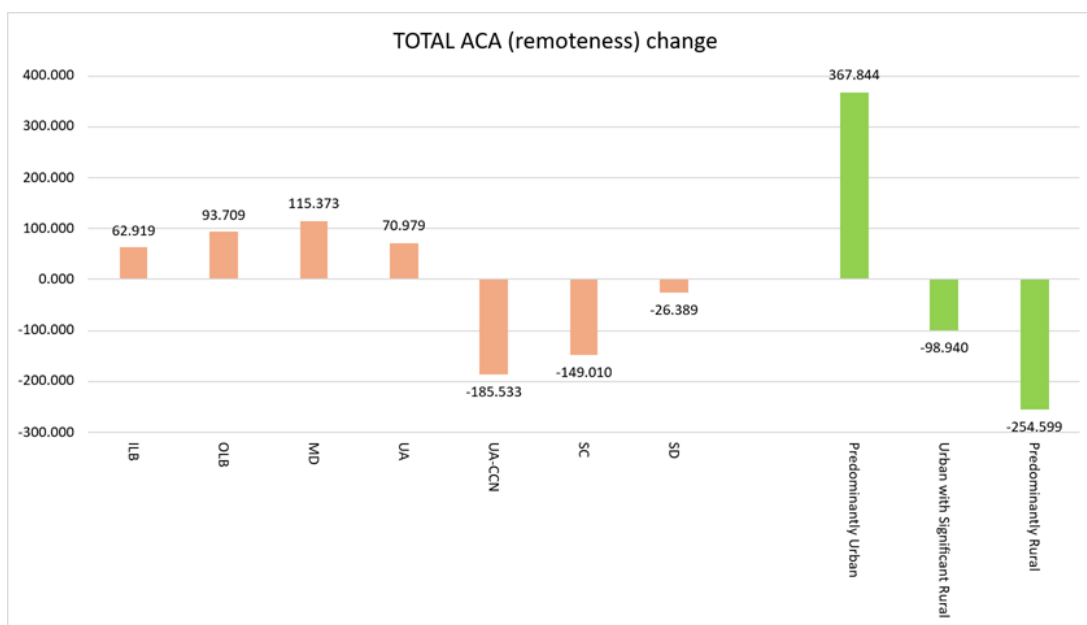
Question 1: Do you agree or disagree with the government's proposals for distributing the total Fair Funding Allocation across the multi-year Settlement period from 2026-27?

This encompasses the approach to Baseline Funding Levels, Revenue Support Grant, the Adult Social Care Relative Needs Formula distribution, the additional funding for local services, the approach to the Local Authority Better Care Grant, and the method for calculating tariffs and top-ups.

44. Disagree. It is unacceptable that the Government has not published all the data and calculations that have been used to calculate each of the Relative Needs Formulas (RNFs). In every previous settlement, there have been detailed spreadsheets or datasheets allowing authorities to follow (and replicate) the formula calculations and then final formulae have been published alongside the settlement. The explanatory notes published alongside this settlement are insufficient to undertake this task, and we would urge the Department to publish the full calculations and data definitions in time for the final settlement.
45. Without this level of transparency about the formula calculations, it is not possible for authorities to check the data that has been used, and to fully understand how their RNF allocations have been arrived at. This stage in the settlement process is essential to identify errors in calculation or deficiencies in the way that data has been used. Authorities are unable to validate the RNF calculations, or to assess their accuracy, and any consultation responses will inevitably be made with this caveat.
46. Given that there are errors in the way that taxbase growth in CSP has been presented (and potentially similar issues with the presented population data), we are extremely concerned that the department might have made further errors within the RNF calculations themselves. If data and calculations are not properly shared, then this will undermine the credibility of the settlement. We also cannot verify the weightings used and how formulae have been altered following ministerial decisions. Again, the consultation promised that the distribution methodology would "allow experts in local government to understand the calculation and review it." The proposals do not live up to this principle.
47. In this section of the response, we have first responded to the decisions that have been made in the provisional settlement. In the second part of this section, we have reviewed the issues we raised in the Summer to determine whether these have been sufficiently addressed, and to assess whether there continue to be outstanding issues.

Remoteness

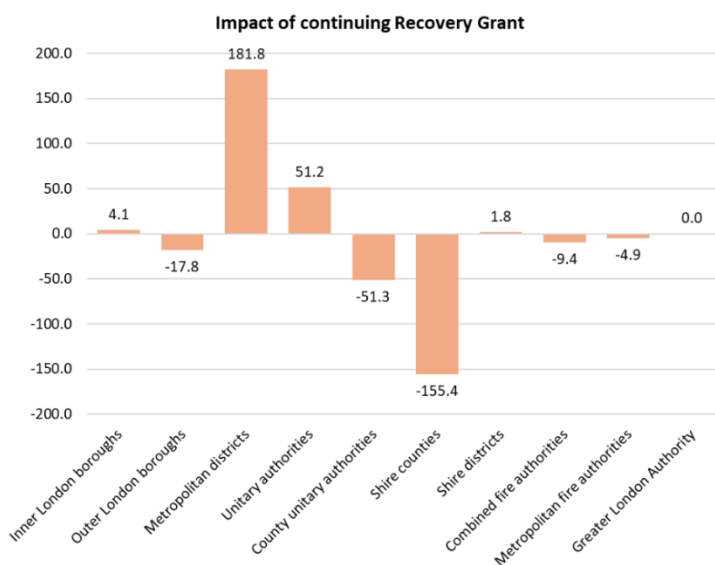
48. Last year’s provisional settlement said: “Several grants including the Rural Services Delivery Grant and the Services Grant will be repurposed. The government will ensure the impact of rurality on the cost-of-service delivery and demand is reflected in the public consultation next year”. In our June consultation response, we strongly supported the government’s proposals to include remoteness in all Area Costs Adjustments (ACAs), building on the statement made within the consultation document that there was a ‘compelling theoretical case’ for it to be introduced. Research undertaken by MHCLG showed that there was strong statistical evidence that remoteness does result in higher unit costs, and should be taken into account in all the ACAs. However, the evidence was not able to indicate the weighting for remoteness, and MHCLG asked authorities to provide evidence.
49. Within the policy statement comments were made about the lack of evidence, except for adult social care. Within CCN June consultation response, the network provided significant evidence provided by county authorities on the additional costs related to remoteness. We want to see the evaluation that MHCLG undertook and feedback on the evidence that was provided, and why the judgement was made that there was insufficient evidence.
50. The government have provided no clear evidence in support of this change - citing only the “views of stakeholders”, a clear plurality of whom agreed with the proposal to retain the adjustment in full. The Government’s response to the Fair Funding Review 2.0 consultation showed that a greater proportion of respondents were in favour of the full inclusion of remoteness than were opposed. Additionally, the Government’s response made specific reference to “the additional costs and lack of bids for tenders in remote areas due to reduced economic competition between providers, for example for children’s social care placements”. This makes the decision to remove remoteness from all but ASC (particularly the removal of remoteness from the children’s RNF) all the more concerning.
51. **The decision to remove Remoteness from the ACA in every RNF (except ASC) has had a very negative effect on many CCN authorities. Pixel analysis for CCN of published ACA values, together with the weighted RNFs, estimates that the changes since the summer consultation within the ACA, primarily due to the removal of remoteness, results in a reduction in funding over £300m for CCN member council.** We have seen that the largest reductions in funding share are in those authorities with the highest remoteness scores in the summer.



52. **Overall, CCN strongly disagrees with the decision to remove remoteness from every RNF except ASC.** Analysis undertaken by MHCLG itself - which led to a conclusion that there was a “compelling theoretical case”, and evidence submitted by CCN, shows that there should be a remoteness uplift in the ACA in every RNF. We would therefore have expected to see this, even if the weightings were reduced compared to the summer consultation. It is also inconceivable that there was no evidence to support the inclusion of remoteness in all the RNFs (we have seen the evidence supplied by our members and there is clearly sufficient to make a case). The decision on remoteness appears to be driven by political considerations rather than technical ones. Both SIGOMA and London Councils lobbied hard to remove remoteness – and ministers appear to have gone along with this request, even though the technical analysis and evidence supported remoteness continued use.
53. **CCN believe that the government should increase the role of the remoteness factor in the assessment of the costs of delivery and reinstate the remoteness weighting into all the needs formulae, recognising the additional costs of providing services in rural areas.**

Continuation of Recovery Grant

54. Alongside reducing remoteness, CCN other key concern in the November announcement was the resuscitation of the 2025/26 Recovery Grant, which results in a significant redistribution of grant funding towards more urban councils, across the multi-year settlement. Recovery Grant was introduced in 2025-26 as a one-year grant. Its purpose was to “to get councils back on their feet” (Jim McMahon, written statement, 18 December 2024), with the 2025-26 final settlement referring to the grant as a “one-off”. CCN did not support the Recovery Grant in 2025-26 (only three of our members receive the grant, Lancashire, Durham and Cumberland).
55. The decision to continue the Recovery Grant in 2026-27 (and in the subsequent two years) is clearly motivated by Ministerial decisions to subjectively increase the funding share for certain local authorities. Some of the authorities who receive Recovery Grant lost-out from the current funding reforms and away from our members. Continuing the Recovery Grant is a way of directing funding to these authorities. Doing so is contrary to the principles for the funding review, which is to use the “best available evidence”.
56. For some authorities, the additional revenue from continuing the Recovery Grant is enormous. Birmingham continues to receive £39m every year, and another 13 authorities will continue to receive more than £10m every year. These are huge sums of money, which could have been targeted more effectively. Pixel analysis for CCN estimate that CCN authorities lose over £200m from the decision to continue Recovery Grant.



57. There are some serious shortcomings in the way the Recovery Grant is designed. These issues were less important when the grant was a one-year stepping stone to the new funding distribution. But when it becomes a semi-permanent feature of the funding regime, these defects are unacceptable in line with the principles of the review. Defects include:
- A lack of scrutiny regarding the tier splits that have been used, which favour shire districts over shire counties.
 - Arbitrary cut-offs for authorities who have marginally lower shares of deprivation than taxbase, particularly when coupled with the Recovery Grant Guarantee.
 - Continued use of outdated deprivation and taxbase data. The new 2025 IMD has been used elsewhere in the funding formulas (Foundation Formula, Resources Adjustment) but the Recovery Grant uses the 2019 IMD.
58. Continuing with the Recovery Grant provides far too much weight for deprivation within the funding formula. IMD is already used within the Foundation Formula (see our comments later in this section about the weighting of deprivation), and continuing to use it within the Recovery Grant effectively amplifies the funding related to deprivation beyond an evidence-based level.
59. **CCN believes that the government should remove or reduce the Recovery Grant and allocate grant based on the needs-assessment, or at the least provide evidence for why it thinks the Recovery Grant is still needed.** Authorities across the country are under great financial stress and deprivation is an important factor in the fair distribution of resources, but it is only one of many. The government did not consult previously on continuing this grant and it is contrary to the principles for the funding review, which is to use the “best available evidence”. The whole purpose of the review was to allocate existing resources as efficiently and effectively as possible, by carrying out a comprehensive review of current needs and resources. The Recovery Grant is not consistent with that approach. The government has provided no evidence to support the quantum and distribution of resources, and there is no meaningful or reliable approach to assessing the impact on services of past settlements, which the government argued was the reason for the grant.

Council Tax Equalisation

60. CCN is disappointed that the government is going ahead with unprecedented full resource equalisation. It is unfair that council tax income is fully equalised, especially as this bears more heavily on tax-payers in county areas. Council tax is a local tax, and at least some of this locally-raised income should be kept locally, and left outside the scope of equalisation. Fully equalising council tax removes any financial incentives for councils to build housing, a key government priority.
61. With the abolition of New Homes Bonus, it is even more important to retain some financial incentive from council tax. Whilst CCN supports the decision not to increase taxbase within the Resources Adjustment, this only has a small impact on funding (and the full increase in taxbase is assumed in other parts of the settlement).
62. Of particular concern is the decision to assume that 100% of council tax is collected. This is clearly not consistent with actual collection rates (which are around 97%), nor does anyone think it achievable in reality. By assuming 100% collection of council tax, the settlement is effectively equalising more than 100% of council tax income. This is unfair and penalises county authorities, who have a higher share of the national taxbase.
63. MHCLG has not provided an explanation for why the Assumed National Council Tax (ANCT) for London is less than 100%. Whilst we understand that the GLA is a complicating factor for council tax within

London, we would expect the ANCT within the settlement to sum to 100% for all classes of authority. The resources adjustment is based on the share of taxbase and not on the actual Band D. This issue has been raised previously by the sector, and the department has not yet provided an adequate response.

Rolled-in BRRS

64. Overall, the methodology for rolling-in BRRS amounts into the settlement is reasonable. As far as we can tell, the methodology accurately captures the BRRS income, including from pooling, enhanced retention, renewable energy and enterprise zones.
65. However, the arrangements for recognising BRRS income within business rates pools are clearly wrong. Pixel estimate that the additional business rates retention from the pools is more than £300m. This additional income has been allocated to tariff authorities based on their “levy gain”. In other words, all the pooling gains have been allocated to shire district councils within the county business rates pools. County councils have been allocated none of the pooling gains.
66. CCN agrees with the principle that MHCLG is trying to apply here, i.e. to estimate a starting baseline for 2025-26 that replicates as far as possible the actual income that authorities are currently receiving. But the methodology for business rates pooling gains does not do this: shire districts do not currently keep all the pooling gains, and county councils (and some fire authorities) currently do receive a share. It overstates district councils’ income, and understates shire counties’.
67. To compound the problem, many of those shire districts who are receiving the excessive business rates pooling gains then get to keep 95% of those gains over the next 3 years via the funding floor arrangements. The interaction between the BRRS roll-in and the wider funding allocations (and funding floors) appears not to have been considered.
68. **CCN believes that the government should revisit the allocation of BRRS income within business rates pools in two-tier areas and share the gains from pooling fairly – allocating at least 30% to counties.** The proposed methodology appears to have been put together in a rush, without considering the consequences, or asking authorities for their views. We recognise that it would not have been practical for the settlement to replicate local sharing arrangements within the pools, but MHCLG has sufficient information to be able to propose a reasonable proxy for sharing. Based on the pooling MOUs that we have seen, shire counties should be allocated between 30% and 50% of pooling gains.
69. Only one of our member authorities is in an enhanced retention arrangement (Cornwall). We recognise the importance of the retained business rates income to this authority, and can support the inclusion of the enhanced retention in baselines. However, CCN would support the widening of the scope of enhanced retention arrangements to all areas with or without mayoral strategic authorities, including in county areas.

Business Rates Retention System (BRRS) – changes in baselines

70. CCN supports the changes in BRRS baselines. The reset of the Business Rates Baseline (BRB) is long overdue. It had originally been planned for 2019-20, but was delayed for various reasons. This allowed business rates growth to accumulate in some authorities, in some cases excessively so. The BRRS needs to have regular and predictable BRB resets so that authorities can plan effectively, and so that gains are redistributed on a regular basis. Absent more significant reform to the system, the Government should implement rolling resets in the BRRS, these would lead to fewer cliff edges and would ensure that growth is rewarded more fairly, regardless of the year it comes on stream.

71. The changes in the baselines are complicated, and should have been shared with local authorities much earlier in the process. The calculation of the rolled-in business rates income was only published alongside the Policy Statement in late November, and the revised Baseline Funding Levels (BFL) only in the provisional settlement itself. This leaves no time for checking or for scrutiny, and has meant that authorities are trying to understand very complicated changes in their baselines at the same time as preparing their budgets and digesting a provisional settlement.

LA BCG

72. CCN supports the new Adult Social Care (ASC) RNF, and is pleased that it is being used to distribute all the ASC funding within the settlement. It is an odd decision to apply the new ASC RNF to the underlying funding, but then to continue with the same allocations for the amount of LA BCG that is shared with the NHS. This will potentially lead to some perverse outcomes where there are substantial variances between the current amounts of LA BCG and the new ASC RNFs. Current LA BCG allocations are based on the old ASC RNF and reflect adult social care income from nearly a decade ago. We should be moving to updated LA BCG allocations in 2026-27.
73. CCN is concerned about the restrictions and monitoring that are being introduced for ASC funding in 2026-27. Funding within the FFA is unringfenced and the DHSC should not try to control the funding through the back door. Furthermore, council tax income is local income, and Whitehall should not be trying to control how local authorities use that income.

RNF weightings

74. CCN supports the changes in the methodology used to calculate the RNF weightings. There was clearly an error in the way that the weightings were calculated in the summer consultation. Whilst this correction does not make a material difference to the outcome for CCN members, CCN supports applying the data and methodology correctly.

Population projections

75. The provisional settlement methodology uses 2022-based projections for 2024 as the baseline year, which is less up-to-date than the latest mid-year estimates (mid-2024). The 2022-based population projections are still affected by the pandemic, and previous projections have overstated growth in London compared to shire areas.
76. MHCLG must share further details of the modelling within the relative needs formulae. The CSP summary tables show an alarming lack of accuracy with regard to population figures, and the sector needs reassurance that these kinds of errors are not repeated throughout the modelling.

Outstanding issues from the Summer consultation

77. In the remainder of this section we have reviewed our response to the Summer consultation, and assessed whether our concerns have been addressed:
78. CCN supports the **new adult social care formula**, which is largely based on the PSSRU/University of Kent research. This was a key “ask” for CCN/ SCT in advance of the consultation, and we were pleased that the proposed Adult RNF largely followed the PSSRU research. Other than changes in population, the proposed RNF appears to be unchanged from the summer.
79. CCN raised some concerns about the **highways maintenance RNF**. Broadly CCN supports the simplified RNF (which removed the weightings for urban roads). Whilst most CCN members benefitted from the new RNF, some did not, particularly those in the most rural counties, and

particularly those in the north of England (North Yorkshire, Northumberland). We have still not had any explanation from MHCLG about why these authorities have less funding, and nor has there been any justification for removing the elements of the current RNF that benefit these authorities. It is imperative that MHCLG share the underlying technical specifications of the formulae that are being used.

80. We are very concerned about the **very high weightings for deprivation within the Foundation Formula**. 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. We have still not had any response from MHCLG about why it is not still relying on this analysis, which was undertaken by the department itself. The overstatement of the deprivation-related weighting has now been compounded by continuing the Recovery Grant, and the addition of more favourable transitional arrangements.
81. CCN asked for the weighing for **resident and non-resident population** to be revisited, and this has now been delivered. It was unrealistic to assume that a visitor places as much pressure on local services as a resident. But the data used for the non-resident uplift needs more scrutiny. Furthermore, we are aware that some of our rural authorities with large tourist economies have been disadvantaged by the changes in weighting for non-residents, particularly when this is combined with the removal of remoteness and the overstatement of the taxbase growth related to second homes.

Question 2: Do you agree or disagree with the government's proposed transitional arrangements?

82. Disagree. No CCN member authority receives any transitional support from the funding floors, and yet county authorities are paying to fund these very expensive transitional arrangements through the top-slice at the start of the process. County authorities find themselves stuck in an incomprehensible no-man's land position between below-average increases in CSP without any additional support from the funding floors.
83. The funding floors will cost £1.2bn over the next 3 years. And instead of reducing over time, they are increasing in cost, from £295m in 2026-27 to £547m in 2028-29. The cost of the floors is excessively expensive, and they are being paid for with resources that could otherwise have been distributed based on "needs". It is disingenuous for the department to claim that local authorities are not paying for the funding floors when they clearly are. Resources for the funding floors are set aside in the quantum within the settlement, and they could easily have been used to fund other "needs" if the funding floors were less generous.
84. From a county perspective, the funding floors are also being largely funded by increases in council tax, which come overwhelmingly from council-tax payers in county areas.
85. CCN does not agree with the levels of the funding floors: there should be much more consistency across the various floor arrangements. Either authorities should receive real-terms protection, or the floors should be designed to move authorities to their funding targets within a set period of time. Ministers have achieved neither consistency in terms of protection nor phased-out transitional arrangements over time. The result is a confusing and inconsistent transition regime, that treats authorities in similar circumstances very differently. It also creates arbitrary cliff-edges. There is no justification for this, other than ministers choosing to act on a selective basis.
86. The most concerning example is the Recovery Grant Guarantee. Whereas most upper-tier authorities only have a cash-terms funding floor (100% of 2025-26 funding), those receiving Recovery Grant in 2025-26 have a higher floor. We have already outlined our concerns about the Recovery Grant, but this is then compounded by being used to determine eligibility for more-generous funding floors. For

some CCN authorities, they were only marginally below the Recovery Grant threshold but will now not only not receive any Recovery Grant, but will have a lower funding floor. As a result, some CCN authorities will have increases in CSP over the next 3 years that are barely above 0%, even with a full Band D uplift. It is unfair that a county authority is left to manage significant real-terms cuts in CSP whilst a metropolitan authority in a similar funding position – but receiving Recovery Grant – gets a 5% boost in funding in 2026-27, and then real-terms protection over the 3 years. Transition should be based on a starting baseline and target allocation, and not on whether authorities are in receipt of a particular grant.

87. By 2028-29, we estimate that 87% of funding floor payments are going to inner London and shire district councils (£281m and £223m respectively).⁸ This represents 5.8% of total CSP for inner London and 6.6% for shire districts. There is something very wrong with the way the funding floors have been constructed. Ministers will have to face-up to the reality that inner London and shire districts will be overfunded over the next 3 years if the funding floors are not redesigned. Ministers are not willing to tackle the historic over-funding in inner London, something which has persisted for decades and which has enabled extremely low Band D in many inner London boroughs. For shire districts, the cost of the funding floors is driven largely by the inexplicable decision to allocate them all the pooling gains in county areas.
88. The government committed to phasing-out damping over the 3 years of the multi-year settlement but has clearly not achieved this. Significant transitional amounts are left in the system in 2028-29, with no clear methodology for bringing these councils to their funding target on a reasonable timescale. Some of the cliff edge in 2028-29 is from the funding floors (see above) but we could also include Recovery Grant within this definition. Although Recovery Grant is determined by a so-called “needs” assessment, it is not based on the “needs” assessments used in the Fair Funding Review. For all these authorities, the “cliff edge” represents over-funding compared to these authorities’ funding targets. All CCN members are at their funding target by 2028-29.
89. It is not clear why the department has not considered other methods of transitioning towards the new distribution. The current method necessitates a significant initial top-slice of funding to be set aside to pay for the floor, which may actually be the reason that some authorities find themselves requiring support from the floor. Not only is it expensive, it also fails to adequately complete the transition – costing more in year 3 than in year 1.
90. Previous formula reviews have included a system of transitioning where the floor is paid for by either capping increases at a “ceiling” or by scaling gains by a certain percentage. There have even been examples of banded damping. But either way, the two pay for each other; the floor’s generosity is directly comparable to how generous the gains are. This is a far fairer way to transition, where those who are gaining and can afford a longer transition are paying for the protection of those at the bottom, rather than those that are most in need of help, also being the ones who are paying for it. CCN requests that the Government reconsider their methodology for transitional arrangements.

Question 3: Do you agree or disagree with the proposed package of council tax referendum principles?

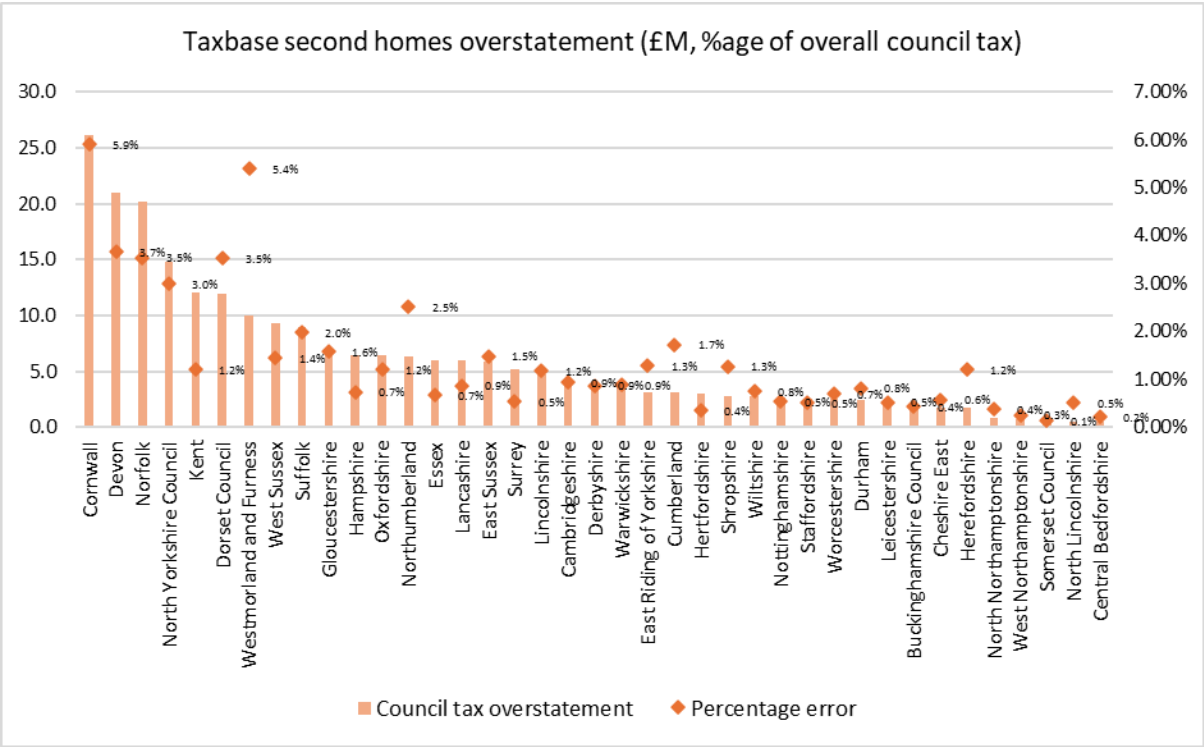
91. CCN broadly support the proposed thresholds that affect our members (2.99% “core” increase in Band D, plus a further 2% ASC precept). These are a continuation of the previous thresholds, and whilst we would prefer to have more discretion over council tax levels our members are very mindful of minimising Band D increases wherever possible.
92. However, we do not support the inclusion of the full increase in Band D in authorities’ CSP allocations, and the assumption that authorities will apply their full increase. Decisions around council tax

⁸ This excludes any funding floor payments to the City of London, which would be additional.

increases are for local politicians and should not be taken for granted by ministers. Many of our member authorities will be given very little choice but to increase Band D by the maximum. Without an increase in Band D, many of our members would be facing very significant cash-terms reductions in CSP.

- 93. In the presentation of the CSP changes, MHCLG has used the overall change in taxbase between 2021-22 and 2025-26 to calculate the assumed taxbase growth over the next 3 years. MHCLG has included within the taxbase uplift the additional revenue that has been generated from the 100% discretionary second home premium that billing authorities were able to start applying from April 2025.
- 94. Clearly, this is a one-off uplift in the taxbase and will not be repeated in future years, and it is wrong to include it in future assumed council tax growth.
- 95. We have calculated the extent to which the inclusion of second-homes has overstated each authority’s taxbase and council tax. MHCLG has overstated the council tax generated by CCN authorities by £235m by 2028-29. For five CCN authorities, their council tax income has been overstated by 3% or more by 2028-29, a very significant amount:

- Cornwall – council tax overstated by £26.1m by 2028-29, 5.9%
- Devon – overstated by £21.0m, 3.7%
- Norfolk - overstated by £20.2m, 3.5%
- North Yorkshire – overstated by £14.8m, 3.0%
- Dorset – overstated by £12.0m, 3.5%
- Westmorland and Furness – overstated by £10.0m, 5.4%



- 96. The issue is most acute in inner London, and also affects some shire district councils. In practical terms, the error in the taxbase growth only has real-world implications for funding if the authority is already below the funding floor, or if the lower taxbase assumption would take it below the floor. For most inner London boroughs whose council tax has been overstated, there would be a pound-for-pound increase in transitional support. For county authorities, none whom are currently below the funding floor, our calculations indicate that only one would be lower than the 0% funding floor if

council tax is properly calculated. Westmorland and Furness's CSP increase over the next 3 years would reduce from 2.9% to -0.3%, and would generate around £1.1m in funding floor payments.

97. **CCN believe the government should reduce the burden of Council Tax in funding the review and the inequity of the way in which this burden is shared across the country, and remove second homes premium taxbase increases from the projected taxbase figures.**

Question 4: Do you agree or disagree with the government's proposed approach to distributing funding for the Families First Partnership programme via the final version of the Children and Young People's Services (CYPS) relative needs formula?

98. Disagree. 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. DfE needs to provide much more transparency about how it has determined the new formula, the data that has been used, and it needs to explain why the new formula results in such a different distribution of funding.
99. Since the Summer, there have been changes to the children's RNF. Some indicators have been removed, and the IDACI index has been updated to reflect the methodology used in the new IMD 2025. The IDACI is now calculated after housing costs.
100. There is not enough information supplied in the explanatory note to replicate or validate the RNF calculations. As far as we can tell, the relationship between spending patterns and the new formula appears to be weaker. We need more explanation from the Government about why the new formula is so different from the previous one, and why there is such a significant divergence between spending and funding patterns.
101. The sector are still yet to hear from the academics who produced this new formulae – we are seeking reassurance that arbitrarily deciding to remove the ethnicity measure and measures of parental education (some of the key measures in the formula) does not require a re-run of the analysis and an adjustment in the weightings of its remaining measures in order remain a "good" model.

Question 5: Do you agree or disagree with the government's proposed approach of continuing the IDB support grant for 26-27 but seeking an alternative solution from 2027-28?

102. CCN supports the research project to determine the funding model that is required for Internal Drainage Boards (IDB). In many rural areas, these costs can be significant, and they are not directly controllable by local authorities. We would urge that MHCLG and DEFRA develop proposals that cover the full cost of the IDBs and for these to continue for as long as necessary, given then relatively small cost in absolute settlement terms

Question 6: Do you agree or disagree with the government's proposal on Mayoral Strategic Authorities in the Local Government Finance Settlement?

103. It is not clear what the consultation question is asking. The proposals in the settlement appear to treat Mayoral Strategic Authorities (MSA) in the same way as local authorities in respect of the shared funding streams. CCN supports the creation of integrated settlements for MSAs.
104. The consultation raises the possibility that MSAs might have a formal share in the BRRS. Currently only WECA has a formal BRRS tier split. We would want to see more formal proposals, with options, before expressing an opinion.

Appendix 1 – Pixel Funding Estimate

- Funding allocations have been calculated using the Core Spending Power (CSP) allocations published in the final settlements (to 2025-26) and provisional settlements (2026-27 to 2028-29).
- Allocations from the settlements include the actual council tax amounts (to 25-26) and the MHCLG projections (from 26-27). These latter figures assume full Band D increases and the taxbase projections including second homes.
- Fire funding has been excluded from the CSP allocations. Where a shire county or unitary has a fire function, we have deducted direct fire expenditure to adjust funding. Fire expenditure is based on 2023-24 RO form (and has not been adjusted for later years).
- Where grants have been rolled into CSP from 26-27 onwards, we have adjusted prior years in order to show like-for-like series of funding. This includes for Homelessness/ Rough Sleeping and for Families First.
- Public Health grant has been added to CSP based on actual allocations in each of the financial years. Public health-related grants have been included in the Public Health Consolidated Grant from 26-27, and we have included this and adjusted previous years.
- Retained business rates income has been rolled into CSP from 26-27 (with the 25-26 financial year fully adjusted in the settlement). We have adjusted 23-24 and 24-25 for the actual post-levy retained rates for each authority. Note that the 23-24 and 24-25 amounts are the 50% retention scheme amounts, and do not include the enhanced retention amounts for pools or pilots (which are included in the 25-26 rolled-in amounts).