

Government response to the Fair Funding Review 2.0: A consultation on the government's proposed approach to local authority funding reform through the Local Government Finance Settlement from 2026-27

Contents

- 1. Introduction 2**
- 2. Determining local authority funding allocations 8**
- 3. Funding simplification 11**
- 4. Measuring differences in demand for services 14**
- 5. Measuring differences in the cost of delivering services 20**
- 6. Measuring differences in locally available resources 24**
- 7. Running the Business Rates Retention System 32**
- 8. The New Homes Bonus 34**
- 9. Transitional arrangements and keeping allocations up-to-date 37**
- 10. Devolution, local government reorganisation and wider reform 50**
- 11. Sales, fees and charges reform 55**
- 12. Design of relative needs formulas 59**
- 13. Equalities impacts 75**

1. Introduction

1.1. Executive summary

- 1.1.1. The government is committed to fixing the foundations of local government, and this starts with funding. For too long, local authorities have been faced with a broken funding system that previous governments have failed to fix. In the Fair Funding Review 2.0, we committed to a fairer, evidence-based system that targets funding towards areas with high deprivation and need. This document sets out how we will deliver that commitment through the first multi-year Local Government Finance Settlement ('the Settlement') in a decade.
- 1.1.2. In the 2010s, cuts to central government grants disproportionately impacted areas which had less ability to raise revenue from council tax and business rates. A fragmented funding system, soaring social care costs and single-year Settlements have contributed to poorer public services and slower growth, particularly for deprived areas. The previous government recognised that the system was unfair, and in 2018 consulted on a "review of local authorities' relative needs and resources". However, they did not implement the proposals consulted on.
- 1.1.3. Last year, we took the first steps towards a fairer funding system. The 2025-26 Settlement made available over £69 billion, a 6.8% cash terms increase. We introduced the Recovery Grant, which redirected £600 million towards the local authorities which needed it most. The Spending Review in June 2025 announced over £5 billion of new grant funding over the period 2026-27 to 2028-29 for local services, including £3.4 billion of new grant funding which will be delivered through the multi-year Settlement.
- 1.1.4. Through the changes outlined in this response, we will introduce a fairer, evidence-based funding system, where funding goes to where it is needed most. We expect that the vast majority of social care authorities will see their Core Spending Power increase in real terms across 2025-26 to 2028-29, with most authorities seeing a cash terms increase across 2025-26 to 2028-29.¹ By 2028-29, we expect that the 10% most deprived authorities will see a significant increase in their Core Spending Power per head compared to the least deprived.
- 1.1.5. We have worked in close partnership with local government, and are grateful for the engagement we've had from across the local government sector. From June to August, we ran a consultation, [the Fair Funding Review 2.0](#), on introducing a fairer funding system. From December 2024 to February 2025, we ran the [local authority funding reform: objectives and principles consultation](#), where we agreed principles for local authority funding reform. These principles continue to inform our approach, and are outlined in [section 1.4 of the Fair Funding Review 2.0](#).
- 1.1.6. Having carefully considered the responses to both consultations, this government response sets out the reformed funding system.

¹ We are defining real terms throughout this consultation response in relation to the GDP deflator.

- 1.1.7. By 2028, funding will be aligned with need and deprivation, and properly account for areas' ability to raise resources locally. We will have implemented new social care formulas, and ensured the majority of funding delivered through the Settlement is targeted using sophisticated and dynamic formulas. We will have simplified more than 30 separate funding streams, worth nearly £47 billion, and a clear link will have been established between local deprivation and a local authority's spending power.
- 1.1.8. We know that these systemic issues cannot be repaired overnight. But we are setting out how we will deliver vital reforms, and bringing in a better funding system that will set local government up for a more sustainable future. Taken together with the [policy statement](#), this response will provide a clear picture of the upcoming multi-year Settlement. At the provisional Settlement in December, these proposals will be subject to consultation, followed by a debate and a vote in the House of Commons in the usual way. Allocations for each year are therefore indicative and subject to this process. We note that there is a Spending Review in 2027 which may impact allocations.
- 1.1.9. We are also annexing a provisional updated needs calculator that reflects changes to the funding distribution that we intend to publish at the provisional Settlement. We will update this again at the provisional Settlement, although we do not expect there to be substantive changes.

1.2. Summary of proposals:

- 1.2.1. The Fair Funding Review 2.0 will better align funding with need across the country, updating for the first time in decades the formulas we use to calculate local authorities' need for services relative to one another. We are simplifying our approach to the needs assessment, reducing the number of formulas from 15 to 9. These formulas will be kept up to date with the use of projections and regular resets. We will use data from the 2025 English Indices of Multiple Deprivation, which will now reflect income after housing costs. We are also updating the Children and Young People's Services formula, including using the latest index of deprivation affecting children.
- 1.2.2. We will apply local cost adjustments to each formula, taking account of cost differences of delivering services across the country. We consulted on a 'remoteness adjustment' within the Area Cost Adjustment and will apply this to the Adult Social Care Formula, but not to formulas more widely. Further detail is set out in our response to question 9.
- 1.2.3. We introduced the £600 million Recovery Grant in 2025-26 to support the most deprived local authorities which are least able to fund their services through income raised locally. After years of funding cuts to local government, in which the most deprived places suffered the most from cuts, the recovery is not over. That is why we will maintain the 2025-26 Recovery Grant allocations, undoing the damage of austerity. We will go further and provide a 'Recovery Grant Guarantee' to support upper tier authorities who received the Recovery Grant, by providing an above real-terms income increase (subject to a £35 million cap per local authority across the multi-year Settlement for these authorities) – further detail is set out in the transition section at Chapter 9.

- 1.2.4. **As well as updating our assessment of needs, the other side of the equation is updating our assessment of local resources.** The government will act as the equaliser for locally raised tax. Local leaders remain responsible for local council tax decisions. We will also continue to use an assumed council tax collection rate of 100% to retain a clear incentive for all local authorities to reduce avoidance of council tax.
- 1.2.5. The government wishes to move decisively to a reformed system, but we have heard clearly that we need to implement funding reform in 2026-27 with transitional arrangements to allow time to adjust. We will therefore phase in allocations over the multi-year Settlement, and protect the income of local authorities which would see losses from funding reform. We will apply a range of funding floor levels appropriate to specific groups of authorities' circumstances.
- 1.2.6. **The government is simplifying more than 30 funding streams, worth nearly £47 billion across the multi-year Settlement.** In the updated system, £21.5 billion of this funding will be delivered through four new 'consolidated grants' as part of the multi-year Settlement package, and £25.3 billion will be rolled into the Revenue Support Grant, which is unringfenced funding within the core Settlement.
- 1.2.7. **We will reset the business rates retention system.** This long overdue reset will restore the balance between aligning funding with need, and rewarding business rates growth. To ensure we are balancing risk and reward, we will increase the Safety Net (which guarantees a set percentage of business rates income) to 100% of local authorities' baseline funding level in 2026-27, moving down to the current level of 92.5% for most authorities over the multi-year Settlement. Further details on the proposed approach and the methodology are set out in the [policy statement](#).
- 1.2.8. At the Settlement, multi-year allocations will be set out based on existing structures. In recognition that local government reorganisation will change the structure of local authorities from April 2027, we will set a 'funding envelope' for the new councils created where areas reorganise. This envelope will be set by combining the allocations of the relevant local authorities in the year(s) of the multi-year Settlement following reorganisation. It will be for areas to agree how to divide the funding where the establishment of new unitary authorities means existing local authorities are split. We will provide guidance to local authorities on how to arrive at local agreements, and will set out a timeline for when these agreements must be reached.
- 1.2.9. **Having heard loud and clear that the local government sector wants to see further devolution of local fees,** we will conduct a review of sales, fees and charges to assess the suitability of fees for devolution where possible, in line with our commitment to protect service users. We will not be changing any fees as a result of this review until it is completed.
- 1.2.10. **Altogether, we are delivering a fairer and simpler funding system for local government.** We will be more transparent about how local funding works; funding will be better aligned with need; and the places that need it will be better placed to reinvest in the public services people deserve.
- 1.2.11. A detailed list of policy proposals is provided at the [annex](#), along with a glossary of key terms.

1.3. About the Fair Funding Review 2.0 consultation

1.3.1. The Ministry of Housing, Communities and Local Government published [The Fair Funding Review 2.0](#) on GOV.UK on 20 June 2025. The consultation closed on 15 August 2025.

1.3.2. The consultation sought views on the approach to determining new funding allocations for local authorities, and fire and rescue authorities through the Local Government Finance Settlement (the Settlement) building on the [local authority funding reform: objectives and principles consultation](#) which ran from 18 December 2024 to 12 February 2025.

1.3.3. The Fair Funding Review 2.0 covered:

- determining local authority funding allocations;
- the approach to simplifying funding;
- measuring differences in demand for services and the cost of delivering them;
- measuring differences in locally available resources;
- the New Homes Bonus;
- transitional arrangements and keeping allocations up-to-date; and
- the long-term approach to the Business Rates Retention System.

1.3.4. It also covered:

- devolution and wider reforms, including how we can bring Strategic Authorities closer to the Local Government Finance Settlement;
- ways we can reduce demands on local government to empower them to deliver for communities; and
- sales, fees and charges reform.

1.3.5. Finally, it invited views on the possible equalities impacts of these proposals.

1.3.6. This publication outlines a summary of the responses to the consultation.

1.4. Responses to the consultation

1.4.1. The 440 responses received to this consultation have been given full consideration, alongside other representations made during the consultation period. The government is grateful to everyone who took time to respond to the consultation.

1.4.2. The following table gives a breakdown of consultation responses by the type of respondent.

Organisation type	Count	% of total responses
London borough	35	8%
Metropolitan district	28	6%
Unitary authority	65	15%
Shire county	21	5%
Shire district	110	25%
Fire and rescue authority	25	6%
Combined authority	4	1%
Local authority association or special interest group	19	4%
Other representative group	33	8%
Voluntary organisation	10	2%
Parish or town council	3	<1%
Other respondents consisting of: local authority councillors, Members of Parliament, and members of the public	83	19%
Not answered	4	1%
Total	440	100%

1.4.3. This document provides an overview of the responses received. It would not be practical to capture every point made in response.

- 1.4.4. The percentages in tables immediately after relevant questions summarise the number of respondents who selected agree, disagree, neither agree or disagree, no view/did not answer, and the number of respondents who provided a substantive response. These are calculated based on all 440 respondents that responded to the consultation.
- 1.4.5. Percentages in the text represent the proportion of those who made substantive comments.

2. Chapter 2. Determining local authority funding allocations

2.1. Question 1: What are your views on the updated Settlement Funding Assessment resulting in zero allocations, and the use of mitigations to avoid zero allocations?

2.1.1. The updated Settlement Funding Assessment – which will from now on be termed the “Fair Funding Assessment” – will include a new, updated assessment of relative need, a new resource adjustment, and an expanded approach to adjusting for the differences in costs faced by local authorities. Every local authority will receive a unique allocation from this update, and this will be called its Fair Funding Assessment allocation. As has been the case since the outset of the business rates retention system in 2013-14, the total amount of local government funding allocated through the Fair Funding Assessment will be split into two parts: a baseline funding level - the amount of need to be met via retained business rates - and Revenue Support Grant.

2.1.2. [Chapter two of the Fair Funding Review 2.0](#) sought views on the government's proposed approach to calculating the Fair Funding Assessment. The consultation was clear that whilst the Fair Funding Assessment will account for every local authority's ability to raise council tax, local authorities will continue to retain all the council tax they raise locally. The government is clear that the full retention of local council tax is important for local democratic accountability and has no plans to change this policy.

2.1.3. This question sought views on a theoretical case of the Fair Funding Assessment finding that an area has sufficient local resources (i.e. council tax) to fund its full assessed need, and would therefore receive a zero allocation within the Fair Funding Assessment. The government was mindful that the consequences of a zero allocation within the Fair Funding Assessment could mean that a local authority receives no share of the Revenue Support Grant and no Baseline Funding Level. In anticipation that some respondents may argue against such an outcome, the government simultaneously sought views on the employment of possible mitigations to avoid a zero allocation within the Fair Funding Assessment.

2.1.4. This was an open question and did not ask respondents specifically to agree or disagree.

Respondents who provided a substantive response	341
Respondents who had no view or did not answer this question	99

2.1.5. There were three hundred and forty-one substantive comments which are summarised below.

- 2.1.6. Respondents were generally unsupportive, specifically: sixty-two respondents (18%) did not support a zero allocation and one hundred and five (31%) were concerned about the potential for a negative allocation. As part of their concerns, eleven respondents (3%) expressed that this would penalise efficiently run authorities and ninety-seven respondents (28%) raised concerns that a zero or negative allocation within the Fair Funding Assessment would effectively be a redistribution of council tax or retained Business Rates income.
- 2.1.7. Ninety-two respondents (27%) specifically agreed with the use of mitigations to ensure that no local authority would be left with a zero allocation.
- 2.1.8. Thirty-seven respondents (10%) were in support, reasoning that if the review was about making the system fair, then this aligned with distributing funding to places that needed it most. Of those that were in support, twenty-one respondents (6%) also stated that a fair system would not employ mitigations.
- 2.1.9. **Government response:** On balance, the government recognises that there may be some circumstances that would justify a local authority receiving a zero allocation within the Fair Funding Assessment. For example, if there is a substantial imbalance between a local authority's assessed revenue raising potential and its assessed level of need within the Fair Funding Assessment, then there is a legitimate case for the government to question whether that authority requires additional revenue support to manage its finances. **However, the government does not expect that the Fair Funding Assessment will result in any zero allocations over the upcoming multi-year Settlement.** In order to maximise value for taxpayers' money, the government intends to keep this under review and will reconsider its position fully before the next multi-year Settlement in 2029-30.

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

- 2.2.1. Chapter two of the Fair Funding Review 2.0 sought views on the government's proposal to treat the Council of the Isles of Scilly as a special case in the Settlement. Given its small population size (c. 2,100 as of the 2021 Census), the government set out that calculating the Council of the Isles of Scilly's allocations via the approach applied nationally is not appropriate or feasible. The government proposed to continue determining the Council of the Isles of Scilly's Settlement Funding Assessment as it was set in 2013-14, with a fixed amount apportioned between funding from locally retained business rates, and a "top-slice" of the Revenue Support Grant.
- 2.2.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	81 (18%)
Respondents who disagreed with the proposal	22 (5%)
Respondents neither agreeing nor disagreeing with the proposal	46 (10%)
Respondents who had no view or did not answer this question	291 (67%)
Respondents who provided a substantive response	102

2.2.3. One hundred and two respondents left substantive comments, which are summarised in the following paragraphs.

2.2.4. Of those that provided a view, eighty-two respondents (80%) agreed with the proposals, and seventy-three respondents (72%) agreed that the government should maintain a bespoke approach, given the authority's uniqueness and the small population size.

2.2.5. Several respondents commented on the case for other unique authorities to have bespoke arrangements. Twenty-seven respondents (26%) requested consideration of the Greater London Authority and City of London to have a corresponding arrangement and eleven respondents (10%) requested that the government apply the same treatment to fire and rescue authorities.

2.2.6. Only twenty-two (22%) respondents disagreed with the proposed approach and of those that provided further comments, only five (5%) suggested the government uses a different approach.

2.2.7. **Government response:** Overall, responses show support for the government's approach to determine the Council of the Isles of Scilly's Fair Funding Assessment. **The government will maintain the bespoke arrangement for the Isles of Scilly** as set out by in [section 2.7 of the Fair Funding Review 2.0](#). Full details of the Isles of Scilly's funding will be published at the provisional Settlement.

3. Chapter 3. Funding simplification

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

3.1.1. [Chapter three of the Fair Funding Review 2.0](#) sought views on the government's proposed approach to simplifying the grant landscape from 2026-27, to provide local authorities with flexibility and certainty over a greater proportion of their income. The government proposed to: bring together revenue funding issued to local authorities into large ringfenced consolidated grants, delivered as part of the Settlement; consolidate revenue funding where appropriate into the core Revenue Support Grant; work to end competitive bidding between local authorities for government funding; and move towards outcomes-based accountability for local authorities.

3.1.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	287 (65%)
Respondents who disagreed with the proposal	48 (11%)
Respondents neither agreeing nor disagreeing with the proposal	46 (10%)
Respondents who had no view or did not answer this question	59 (14%)
Respondents who provided a substantive response	348

3.1.3. Three hundred and forty-eight respondents left substantive comments, which are summarised in the following paragraphs.

3.1.4. The most common benefit of simplification cited by one hundred and forty-three respondents (41%) was the reduction in administrative burdens for local government. One hundred and nineteen respondents (34%) expressed support for the multi-year certainty that proposals will bring, as well as the opportunity for authorities to be more strategic in their financial planning. Ninety-four consultees (27%) voiced support for greater local decision-making.

3.1.5. Ninety-nine respondents (28%) were positive about ending competitive bidding and moving towards allocative distribution methodologies, and forty-five (13%) were supportive of more transparent allocation methods.

3.1.6. Responses also highlighted significant concerns about implementation details. Many shared concerns about the development of funding formulas (one hundred and fifty-one respondents, 43%), emphasising the need to consult transparently and with clarity. Seventy-five comments (22%) explicitly asked for more detail on funding simplification.

- 3.1.7. Ninety-five (27%) noted concerns over simplification leading to a loss of funding, and the impact of the potential loss of visibility and purpose of original grants was recognised by fifty-seven consultees (16%). The protection of new burdens funding was mentioned in fifty-eight responses (17%), with further clarification sought on its future.
- 3.1.8. Thirty-seven respondents (11%) noted concerns that the proposed adult social care notional allocation could undermine the flexibility the government is giving.
- 3.1.9. **Government response:** Overall, these responses show strong support for the government's approach to simplifying the grant landscape. **The government will proceed with the plans as set out in the Fair Funding Review 2.0 Chapter 3.** In total, we will simplify 33 funding streams, worth nearly £47 billion. This includes delivering four large, consolidated grants in 2026-27 to bring together funding streams for homelessness, rough sleeping and domestic abuse; public health; crisis and resilience; and children, families and youth - collectively worth £21.5 billion. We will also consolidate 17 funding streams, collectively worth £25.3 billion, including the Market Sustainability and Improvement Fund and Social Care Grant, into the Revenue Support Grant in 2026-27, and roll in further small grants, where appropriate, in future years. We have published further details on funding simplification in the [policy statement](#). At the provisional Settlement later this year, we will publish a further explanatory note and set out provisional multi-year allocations. The government will proceed with publishing notional allocations for adult social care.
- 3.1.10. The government will maintain a ringfenced Section 31 grant for the Local Authority Better Care Grant (LABCG), in recognition of this grant's unique legal role in requiring local authorities to pool funding with the NHS under the Better Care Fund framework. The 2026-27 local authority allocations of the LABCG will be the same as the grant allocations in 2025-26. We will confirm distribution of the LABCG from 2027-28 in due course.
- 3.1.11. The government notes the concerns raised about the adult social care notional allocation. These notional allocations are intended to be used as a reference point to support budget setting, and in conjunction with adult social care priorities to inform collective decisions about adult social care spending. As a reference point, and not a ringfence, the notional allocation will support rather than undermine funding flexibility. The government knows that actual spending will also be influenced by local context, priorities and demands. As set out in the [policy statement](#), the Department of Health and Social Care (DHSC) will be launching a new publication that sets clear adult social care priorities and expectations for local authorities from 2026-27. This publication will include details about the adult social care 'notional allocation' for each local authority from 2026-27 to 2028-29.
- 3.1.12. This publication and the notional allocations will also guide DHSC's engagement with local authorities to gain better insights of decisions taken locally in budget setting, service delivery and embedding this government's priorities for adult social care. DHSC will work with local authorities to support the transition into these new accountability arrangements.

- 3.1.13. The government is committed to upholding the New Burdens Doctrine, ensuring any additional costs on local authorities resulting from a new policy or initiative are assessed and fully funded. The Doctrine is clear that new burdens should be funded through Section 31 grants, or where appropriate, through the Settlement.
- 3.1.14. Funding for local authorities to deliver simpler recycling as part of the collection and packaging reforms was included within the overall uplift to local government confirmed at the Spending Review. This funding will be provided to local authorities through the multi-year Settlement and there will not be a separate new burdens grant.

4. Chapter 4. Approach to Assessing Demand

4.1. Question 4. Do you agree with the formulas for individual services the government proposes to include?

4.1.1. [Chapter four of the Fair Funding Review 2.0](#) sought views on how the updated distribution will assess how much demand local authorities experience for their services, relative to one another.

4.1.2. The government proposed including the following formulas to assess demand for services:

Social care formulas	- Adult social care - older component; - Adult social care - younger component; and - Children and Young People's Services.
Non-social care formulas	- Foundation Formula - upper tier; - Foundation Formula - lower tier; - Fire and Rescue; - Highways Maintenance; - Home to School Transport; and - Temporary Accommodation.

4.1.3. We received the following overall responses to this question:

Respondents who agreed with the proposal	161 (37%)
Respondents who disagreed with the proposal	126 (29%)
Respondents neither agreeing nor disagreeing with the proposal	88 (20%)
Respondents who had no view or did not answer this question	23 (5%)
Respondents who provided a substantive response	346

4.1.4. Three hundred and forty-six respondents left substantive comments, which are summarised in the following paragraphs.

4.1.5. Twenty-nine respondents (8%) raised concerns around the Foundation Formula being relatively simple and trying to cover too diverse a range of services, or being at risk of over-simplifying.

4.1.6. On deprivation, thirty-eight respondents (11%) disagreed with the inclusion of deprivation or its weighting in the Foundation Formula. Twelve respondents (3%) welcomed the use of Indices of Multiple Deprivation (IMD) and specifically the proposal to use the updated IMD, with nineteen respondents (5%) calling in to question the suitability of the IMD.

- 4.1.7. On deprivation and housing costs, twenty-six respondents (8%) argued that deprivation should take account of housing cost, whilst thirteen respondents (4%) argued it should not take housing costs into account.
- 4.1.8. Thirty-five respondents (10%) disagreed with the removal of sparsity indicators, or called for them to be included.
- 4.1.9. Seventy-nine respondents (23%) welcomed the inclusion of a temporary accommodation (TA) formula. However, thirty-six (10%) respondents raised concerns that TA funding is directed disproportionately towards London.
- 4.1.10. **Government response:** Overall, these responses show that more agreed than disagreed with the government's approach to assessing demand and the proposed formulas for individual services.
- 4.1.11. The government will use a single Foundation Formula to assess demand for most non-social care services. This approach is consistent with our principles of simplicity and robustness.
- 4.1.12. The government will include bespoke formulas for individual services where there is a strong case that doing so improves the effectiveness of our overall assessment of need, including children's and adult social care services. Further detail on the design of individual formulas can be found in the government's response to questions in Chapter 12. A summary of the final relative needs formulas and design changes made since the Fair Funding Review 2.0 can be found below:

Category	Formula	Changes since Fair Funding Review 2.0
Social care formulas	Adult social care	Formula will use population projection and include latest population data in its need indicators.
	Children and Young People's Services	Formula will not include child ethnicity as a variable. Formula will use the latest data for Income Deprivation Affecting Children (IDACI), published as part of the 2025 English Indices of Deprivation. Formula will not use the parental qualifications variable. Formula will use a 'proportion of households with dependent children which are overcrowded' variable, instead of the proposed 'proportion of households which are overcrowded' variable.
Non-social care formulas	Foundation Formula	Formula will use population projections. Formula will use updated deprivation data from the 2025 English Indices of Deprivation. Commuter and tourist need will be of reduced importance relative to residential population need.
	Fire and Rescue	Formula will include population projections.
	Highways Maintenance	Formula will include latest traffic flow data in its need indicator.
	Home to School Transport	Change to distance cap from 20 to 50 miles.
	Temporary Accommodation	Formula as consulted on.

4.1.13. As [outlined in the Fair Funding Review 2.0 section 12.3](#), the design of a comprehensive Foundation Formula requires using the best available evidence, while also applying necessary judgement. As such, and with consideration of responses noted above, **the government will include the following cost drivers:**

- Both residential and daytime population, which have a very high correlation with annual spending levels; and

- Deprivation, which has a significant statistical relationship with spending per capita.

4.1.14. On deprivation, **the government will update the data in the Fair Funding Assessment to use the 2025 English Indices of Multiple Deprivation**, in line with our principle to ensure we are using the best available evidence. In making this update, our assessment of need **will incorporate more direct aspects of housing costs** and provide the most contemporary measure of deprivation.

4.1.15. The government notes that more respondents welcomed the inclusion of a Temporary Accommodation formula than expressed concern. Local authorities spent significantly more on homelessness in 2024-25 than in 2023-24. They spent £1.06 billion on temporary accommodation in 2023-24 and then £1.44 billion in 2024-25, a difference of c.£380 million and an increase of 36%. The government recognises that the demand for temporary accommodation tends to be geographically concentrated, and that London spends significantly more on the service than the rest of the country. However, given the scale of temporary accommodation costs and their impact on the local government sector, **the government considers it appropriate to include a bespoke formula for temporary accommodation services** when assessing local authority need.

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

4.2.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to no longer include 'fixed costs' and 'legacy capital finance' in the assessment for demand in the Foundation Formula.

4.2.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	123 (28%)
Respondents who disagreed with the proposal	151 (34%)
Respondents neither agreeing nor disagreeing with the proposal	62 (14%)
Respondents who had no view or did not answer this question	104 (24%)
Respondents who provided a substantive response	265

4.2.3. Two hundred and sixty-five respondents left substantive comments, which are summarised in the following paragraphs.

- 4.2.4. Forty-seven respondents (18%) supported the proposals set out by the government, with many supportive of simplifying the funding system. Forty-one respondents (15%) confirmed support for the government's proposal to remove legacy capital finance arrangements from the Foundation Formula. Several respondents thought that this was justified given the age of the referenced debt and that authorities have an ability to manage these so shouldn't be considered as part of the formula. Thirty-nine respondents (15%) confirmed support for removing the fixed cost adjustments formula, with some respondents arguing that the updated assessment should be based more on need. In some cases, some respondents were in favour of removing one element but not both.
- 4.2.5. A number of respondents were concerned with the proposals. Fifty-eight respondents (22%) thought the removal of fixed cost adjustments should be reconsidered. This was largely on the basis that every authority has standard costs for running their organisation that they argued should be accounted for. Twenty-six respondents (10%) were concerned about removing legacy capital finance.
- 4.2.6. While not directly linked to this question, an additional concern raised by a number of respondents was the need to reconsider proposals on including two service areas in the Foundation Formula. Fifty-two respondents (20%) raised concerns on the flood defence and coastal protection, and thirty-two respondents (12%) raised concerns about concessionary travel need.
- 4.2.7. **Government response:** Overall, these responses show mixed support for the government's approach to streamlining the assessment of need. Having carefully considered these responses, alongside the overall reform principle of robustness, **the government will no longer include 'fixed costs' and 'legacy capital finance' in the assessment.**
- 4.2.8. **On 'fixed costs', the government's position is that our approach does not seek to capture absolute need.** Instead, our wider assessment aims to capture the relative need of local authorities, including both fixed and variable cost differences. This is done through both the design of each formula and their respective weightings.
- 4.2.9. Given the age of debts that Legacy Capital Financing Formula is designed to address, the government will no longer include them in the assessment. A new system of capital financing was introduced in 2013-14, which will not be affected by the removal of the Legacy Capital Finance Formula from the updated needs assessment.
- 4.2.10. The government notes some respondents argued for the inclusion of bespoke formulas for flood defence and coastal protection and concessionary travel. However, the government proposes to continue using the Foundation Formula to assess relative demand for concessionary travel and flood defence and coastal protection, as we do not consider a bespoke formula proportionate in either case. We are not including a formula for flood defence and coastal protection because, although expenditure on this service is an important issue for a small number of lower tier authorities, it does not represent a significant proportion of national expenditure. For concessionary travel, including a formula for this service area did not have a significant impact on the overall distribution.

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

4.3.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to determining the weights of different relative needs formula by calculating their control total shares.

4.3.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	211 (48%)
Respondents who disagreed with the proposal	106 (24%)
Respondents neither agreeing nor disagreeing with the proposal	41 (9%)
Respondents who had no view or did not answer this question	82 (18%)
Respondents who provided a substantive response	289

4.3.3. Two hundred and eighty-nine respondents left substantive comments, which are summarised in the following paragraphs.

4.3.4. One hundred and twenty-eight respondents (44%) were generally in favour of basing the control totals on current and future need for services, with respondents proposing the use of newer data such as the latest 2024-25 Revenue Outturn data.

4.3.5. Fifty-one respondents (18%) raised issues with the use of 2023-24 Revenue Outturn data, suggesting that it was not robust to use older data, or that it was not a reliable form of data and required support from other datasets.

4.3.6. Thirty-four respondents (12%) argued funding should directly reflect predicted demand for services.

4.3.7. Twenty-nine respondents (10%) noted spend in some service areas has increased exponentially since 2023-24, especially in services such as temporary accommodation, children's social care and adult social care.

4.3.8. Twenty-six respondents (9%) were in favour of basing control totals on historic need for services through the use of actual 2023-24 spend data.

4.3.9. **Government response:** Overall, responses show support for the government's approach to calculating the control total shares for relative needs formulas. Having considered responses, and to be consistent with the government's aim of using the most up-to-date evidence available, **the government will use 2024-25 Revenue Outturn (RO) data for the formulas' control totals. However, it will only be possible to use 2023-24 data for the Home to School Transport formula.** This formula's control total is calculated using Section 251 data, which will not be published in sufficient time for the Settlement.

5. Chapter 5. Approach to Assessing Cost

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

5.1.1. [Chapter five of the Fair Funding Review 2.0](#) sought views on the government's proposed approach to adjusting for differences in labour costs and premises rates within the updated Area Cost Adjustment, which accounts for differences in the costs of delivering services.

5.1.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	208 (47%)
Respondents who disagreed with the proposal	76 (17%)
Respondents neither agreeing nor disagreeing with the proposal	63 (14%)
Respondents who had no view or did not answer this question	93 (21%)
Respondents who provided a substantive response	221

5.1.3. Two hundred and twenty-one respondents left substantive comments, which are summarised in the following paragraphs.

5.1.4. One hundred and twenty-eight (58%) respondents said they were supportive of the principle of adjusting for differences in labour and rates costs, although in some instances raised specific criticisms of the methodology.

5.1.5. Sixty-seven (30%) respondents requested more information on the weightings of each variable within the adjustment.

5.1.6. Twenty-two (10%) respondents raised concerns about the treatment of London within the adjustment. For example, a small group of respondents stated that London should be considered as a single employment market and given a single labour cost adjustment value for all London Boroughs.

5.1.7. Nineteen (9%) respondents cited issues with how the labour cost adjustment captures costs within services, such as the additional costs of out-of-area provision within social care services.

5.1.8. **Government response:** The government's response to measuring differences in costs is set out under question 9.

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

5.2.1. The Fair Funding Review 2.0 sought views on the government's overall approach to the Area Cost Adjustment (ACA). The government proposed adjusting for differences in the cost of delivering services arising from: property; labour; travel times; and remoteness.

5.2.2. This was an open question and did not ask respondents specifically to agree or disagree.

Respondents who provided a substantive response	291
Respondents who had no view or did not answer this question	149

5.2.3. Two hundred and ninety-one respondents left substantive comments, which are summarised in the following paragraphs.

5.2.4. Ninety-seven respondents (33%) supported the principle of adjusting for differences in costs.

5.2.5. One hundred and thirty-nine respondents (42%) raised the new remoteness adjustment and accessibility adjustment within the ACA. Whilst many of these responses expressly welcomed these changes, a similar amount expressed concern about the lack of supporting evidence for the remoteness adjustment, or about the exclusion of density within the accessibility adjustment.

5.2.6. Ninety-four respondents (32%) raised issues about specific data choices within the ACA, or raised concerns about the contemporaneity of the data and the need to keep the adjustment up to date.

5.2.7. Seventy-six respondents (26%) mentioned the use of Revenue Outturn and Subjective Analysis Return data to weight the individual components of the ACA. Some respondents argued the Subjective Analysis Return was not robust enough to be used to weight the factors within the ACA.

5.2.8. Seventy-one respondents (24%) left views on the removal of the judgement-based lower limit in the 2013-14 labour cost adjustment and the creation of individual ACAs. They expressed concerns these would negatively affect authorities with the lowest labour costs.

5.2.9. Thirty-five respondents (12%) argued for the inclusion of private residential property rates, given the cost of private placements for temporary accommodation or residential care can vary significantly across the country.

5.2.10. **Government response:** The government's response to measuring differences in costs is set out under question 9.

5.3. 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?

5.3.1. The Fair Funding Review 2.0 sought views on the government's proposal to include a 'remoteness adjustment' in the Area Cost Adjustment, recognising both the theoretical case for the adjustment, and the engagement we have had from the local government sector and stakeholders on including it prior to the Fair Funding Review 2.0. We invited respondents to provide us with additional evidence for the impact of remoteness on the cost of delivering services.

5.3.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	167 (38%)
Respondents who disagreed with the proposal	132 (30%)
Respondents neither agreeing nor disagreeing with the proposal	54 (12%)
Respondents who had no view or did not answer this question	87 (20%)
Respondents who provided a substantive response	249

5.3.3. Two hundred and ninety-four respondents left substantive comments, which are summarised in the following paragraphs.

5.3.4. Ninety-four respondents (32%) commented that a remoteness adjustment would capture additional travel, transport and logistics costs, as well as the costs of poor digital infrastructure.

5.3.5. Seventy-four respondents (25%) mentioned 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. Twenty respondents (7%) highlighted the inability to achieve economies of scale in rural areas, for instance within waste collection services, as a factor that can lead to higher costs.

5.3.6. Six respondents (2%) called for remoteness to be weighted more heavily in recognition of rural costs.

5.3.7. However, ninety respondents (32%) indicated they strongly oppose a remoteness adjustment, largely on the grounds that there is insufficient evidence to support its inclusion.

5.3.8. Twenty-nine respondents (10%) asked for more information to be able to comment on the adjustment. Ten respondents (3%) argued that the remoteness adjustment double counts costs captured in the accessibility adjustment.

5.3.9. Sixty-five respondents (22%) highlighted additional costs in urban areas due to higher residential property costs, as well as other cost factors like congestion, overcrowding, pollution and additional antisocial behaviour in urban areas.

5.3.10. Finally, eighteen respondents (6%) argued the adjustment should account for costs associated with delivering services in coastal areas.

- 5.3.11. **Government response (questions 7, 8 and 9):** Overall, responses show support for the government's approach to measuring costs. We will proceed with the proposed approach to adjusting for differences in labour costs, premises rates and accessibility within the updated Area Cost Adjustment. This approach uses more up-to-date data and our methodology has been subject to a [technical peer review by the Institute for Fiscal Studies](#).
- 5.3.12. **We will continue to measure journey times rather than sparsity**, as this is a better reflection of the cost of delivering services, given some sparsely populated areas have better infrastructure than others. Furthermore, this approach avoids creating a distortion for areas below any judgement-based sparsity threshold. Previous measures of sparsity or super-sparsity have counted the proportion of smaller areas with population density below a judgement-based threshold. This creates 'cliff edges' around the threshold, with smaller areas either side of the threshold having different implications. Areas which are far below the threshold are counted the same as areas just below the threshold, meaning funding is not targeted to areas with the greatest potential need. By contrast, journey times provide a continuous proxy measure of additional costs, treating similar areas alike and dissimilar areas differently.
- 5.3.13. **We will continue to use the Subjective Analysis Return (SAR).** The sample of local authorities used within SAR is broadly representative of the underlying local authorities by size and class. Within the weights, SAR data is aggregated to the England level minimising local variability within the sample. The government considers this to be robust.
- 5.3.14. **The government will apply the remoteness adjustment to the Adult Social Care Formula, but not to formulas more broadly.** The government recognised in the last consultation the case in principle for the impact of a remoteness adjustment on costs. The best evidence the government has heard indicates remoteness may have a particular impact on adult social care services. Social care was also the area most frequently mentioned by respondents in relation to the impact of remoteness. On balance, taking into consideration the available evidence and the views of stakeholders, the government has made a judgement that remoteness should be accounted for when assessing the cost of delivering adult social care services.

6. Chapter 6. Approach to Resources

6.1. 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?

6.1.1. [Chapter six of the Fair Funding Review 2.0](#) sought views on the government's proposed approach to the level of council tax equalisation in the resource adjustment. We set out the government's view that its role in local authority funding is as the equaliser for local government income. We therefore proposed setting the notional council tax level to achieve the objective of full equalisation.

6.1.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	177 (40%)
Respondents who disagreed with the proposal	137 (31%)
Respondents neither agreeing nor disagreeing with the proposal	43 (10%)
Respondents who had no view or did not answer this question	83 (19%)
Respondents who provided a substantive response	311

6.1.3. Three hundred and eleven respondents left substantive comments, which are summarised in the following paragraphs.

6.1.4. One hundred and thirty-five respondents (43%) were explicitly in support of the proposal, for a range of reasons. Thirty-five respondents (11%) supported the fact that the proposals target more deprived or less wealthy areas, fifty-eight respondents (19%) supported that it avoided rewarding places for keeping council tax low, or penalising places with higher council tax levels, and forty-two (14%) supported that they promote equity or fairness.

6.1.5. One hundred and ninety-seven responses (63%) offered critiques of the proposals. Seventy respondents (23%) expressed concerns that equalisation undermines council tax as a tax for local services. Ninety-one (29%) argued that it penalises places that have kept their council tax levels low or penalises them for historical decisions. Thirty-six (12%) also commented that the proposal penalises places with taxbase growth and disincentivises housebuilding.

6.1.6. Fifty-two responses (17%) explicitly called for partial equalisation. Ninety-eight respondents (32%) called for the proposal to be accompanied relaxing referendum principles to allow low charging local authorities to increase their council tax level to the notional level. Some linked this to future local government reorganisation, calling for additional council tax flexibility to support restructuring authorities.

6.1.7. **Government response:** Overall, responses show more agreed than disagreed with the proposal to achieve the objective of full equalisation.

6.1.8. The government continues to believe that, through equalisation, it should fully account for local authorities' differing abilities to raise council tax when allocating funding.

6.1.9. Equalisation against council tax income is not new. In 2013-14 the government equalised against council tax, taking account of local income in how they allocated funding. However, the system was static and left to grow increasingly out of date, resulting in areas with strong tax bases seeing increases in funding from local income which was not accounted for in how government grant funding was allocated. This has led to many taxpayers paying more tax for worse services in areas with weaker taxbases, as authorities with stronger tax bases are better able to keep their tax levels lower. We are correcting this. The government will update the system and ensure that all authorities have a full and up to date measure of ability to raise council tax taken into account in how we assess need.

6.1.10. **The government will therefore continue to set the notional council tax level at the national average.** This will achieve the objective of full fiscal equalisation and support local authorities with weaker taxbases to deliver services for residents.

6.1.11. This means that for 2026-27 the notional council tax level will be £2060, for 2027-28 it will be £2160, and for 2028-29 it will be £2265.

6.2. 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?

6.2.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to fully account for mandatory discounts and exemptions in the resource adjustment.

6.2.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	304 (69%)
Respondents who disagreed with the proposal	37 (8%)
Respondents neither agreeing nor disagreeing with the proposal	16 (4%)
Respondents who had no view or did not answer this question	83 (5%)
Respondents who provided a substantive response	203

6.2.3. Two hundred and three respondents left substantive comments, which are summarised in the following paragraphs.

6.2.4. One hundred and thirty-four respondents (66%) noted that local authorities have no discretion over mandatory discounts. Fifty-five (27%) respondents noted that this proposal would accurately account for actual tax base, including unavoidable deductions.

6.2.5. Four respondents (2%) requested that student exemptions were accounted for later in the year (CTB1 forms are collected in October) to provide more accurate representations of these numbers

6.2.6. **Government response:** Overall, responses show strong support for the proposal to fully include the impact of mandatory discounts and exemptions in the measure of taxbase. The government agrees that given that local authorities have no discretion over their application, this proposal accurately reflects actual taxbase.

6.2.7. The government therefore will continue to fully include the impact of mandatory discounts and exemptions in the measure of taxbase.

6.2.8. The government recognises that the data used to reflect the impact of student exemptions (Class M & N exemptions) varies between the two points at which it is collected during the year (May and September). To provide a more accurate assessment, **the government will therefore use the average of these two data points for Class M & N exemptions within the resource adjustment.**

6.3. 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?

6.3.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to account for the working age element of Local Council Tax Support in the resource adjustment using statistical methods to proxy for the impact on authorities' taxbases.

6.3.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	214 (49%)
Respondents who disagreed with the proposal	75 (17%)
Respondents neither agreeing nor disagreeing with the proposal	38 (9%)
Respondents who had no view or did not answer this question	113 (26%)
Respondents who provided a substantive response	260

6.3.3. Two hundred and sixty respondents left substantive comments, which are summarised in the following paragraphs.

- 6.3.4. Ninety responses (35%) explicitly agreed with the proposal in their comments, arguing, for example, that it was an appropriate approach to protect local decision making, or that there is not a viable alternative approach due to data limitations.
- 6.3.5. Forty-four respondents (17%) raised issues with the proposed approach, arguing that a statistical approach was likely to have limitations. Thirty-three (13%) commented that the actual scheme data should be used.
- 6.3.6. **Government response:** The government's response to using statistical methods to proxy for the impact of Working Age Local Council Tax Support is set out under question 13 below.

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

- 6.4.1. The Fair Funding Review 2.0 sought views on the government's specific proposed statistical approach to account for the working age element of Local Council Tax Support in the resource adjustment, using a linear regression to estimate the proportion of Band D equivalent dwellings in a billing authority which receive Working Age Local Council Tax Support.
- 6.4.2. This was an open question and did not ask respondents specifically to agree or disagree.

Respondents who provided a substantive response	285
Respondents who had no view or did not answer this question	155

- 6.4.3. Two hundred and eighty-five respondents left substantive comments, which are summarised in the following paragraphs.
- 6.4.4. One hundred and thirteen respondents (40%) argued that other data sources should be used, including benefit data, actual scheme data, specific domains of the Indices of Multiple Deprivation and measures of deprivation which include housing costs.
- 6.4.5. Sixty-six respondents (23%) confirmed their agreement with proposal, supporting the methodology and the variables used in the statistical model.

6.4.6. **Government response (questions 12 & 13):** Overall, responses indicate support for the proposal to use statistical methods to proxy for the impact of Working Age Local Council Tax Support in the measure of taxbase. **The government will continue to use a linear regression to estimate the proportion of Band D equivalent dwellings in a billing authority which receive Working Age Local Council Tax Support.** Following a [peer review by the Institute for Fiscal Studies](#), we have refined the statistical model to use the proportion of an authority's adult population that is of working age to proxy the number of Local Council Tax Support claimants in an authority (rather than the proportion of the total population). We will also update the model to use the 2025 English Indices of Multiple Deprivation, in line with our principle to use the most up-to-date data available.

6.5. 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?

6.5.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to assume that authorities make no use of their discretionary discounts and premiums.

6.5.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	267 (61%)
Respondents who disagreed with the proposal	54 (12%)
Respondents neither agreeing nor disagreeing with the proposal	27 (6%)
Respondents who had no view or did not answer this question	92 (21%)
Respondents who provided a substantive response	238

6.5.3. Two hundred and thirty-eight respondents left substantive comments, which are summarised in the following paragraphs.

6.5.4. One hundred and sixty-seven respondents (70%) supported the proposals for a range of reasons including protecting local discretion, and providing the correct incentives to local authorities.

6.5.5. Fourteen (6%) raised that some local authorities would gain to varying levels from the Second Homes Premium.

6.5.6. Six respondents (3%) raised that the proposal would reduce support for vulnerable groups.

6.5.7. **Government response:** Overall, responses show clear support for the proposal to assume that authorities make no use of their discretionary discount and premium schemes in the measure of taxbase, with a majority of responses in agreement.

6.5.8. The government will assume that authorities make no use of their discretionary discount and premium schemes in the measure of taxbase. The government agrees that it is important to protect the principle of local discretion. The government notes the concerns raised that different authorities may benefit to varying degrees from the ability to apply the Second Homes Premium due to the variation in housing mix across authorities. The government will continue to monitor the application of this and other discretionary discounts and premiums.

6.5.9. The government will assume that authorities make no use of their discretionary discount and premium schemes in the measure of taxbase.

6.6. Question 15. Do you agree with the government's proposal to apply a uniform council tax collection rate assumption to all authorities?

6.6.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to apply a uniform approach to all authorities on their council tax collection rate in the resource adjustment

6.6.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	196 (45%)
Respondents who disagreed with the proposal	114 (26%)
Respondents neither agreeing nor disagreeing with the proposal	42 (10%)
Respondents who had no view or did not answer this question	88 (20%)
Respondents who provided a substantive response	293

6.6.3. Two hundred and ninety-three respondents left substantive comments, which are summarised in the following paragraphs.

6.6.4. One hundred and fifty respondents (51%) agreed that the uniform collection rate assumption was a sensible approach.

6.6.5. There was a range of views on what level the rate should be. One hundred and thirty (44%) suggested that the collection rate should be set at lower than 100% - for example at the national average.

6.6.6. Twenty-nine respondents (10%) believed it should be set at 100% in order to maintain the level of equalisation in the system.

6.6.7. Seventy respondents (24%) suggested that the approach should account for systematic differences in collection rates such as deprivation or transient populations.

6.6.8. Forty-six respondents (16%) argued that any approach should retain the correct incentives to reduce avoidance.

6.6.9.**Government response: The government will continue assuming an 100% council tax collection rate within the resource adjustment.** It is the government's view that this is important to retain a clear incentive for all authorities to reduce avoidance of council tax.

6.6.10.Overall, responses show support for the proposal to apply a uniform council tax collection rate assumption in the resources adjustment. A uniform collection rate assumption supports the reform principle of simplicity, and ensures that authorities always benefit from increasing their collection rate.

6.6.11.While many responses suggested that setting the assumed collection rate at the national average (c.96%) would represent a more realistic assumption, the government will continue assuming a 100% council tax collection rate for the reasons set out above.

6.7. 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?

6.7.1.The Fair Funding Review 2.0 sought views on the government's proposed approach to splitting or allocating the resource adjustment in multi-tier areas according to the average share in council tax receipts in multi-tier areas.

6.7.2.We received the following overall responses to the question:

Respondents who agreed with the proposal	191 (43%)
Respondents who disagreed with the proposal	62 (14%)
Respondents neither agreeing nor disagreeing with the proposal	52 (12%)
Respondents who had no view or did not answer this question	135 (31%)
Respondents who provided a substantive response	290

6.7.3.Two hundred and nine respondents left substantive comments, which are summarised in the following paragraphs

6.7.4.Seventy-five respondents (36%) agreed that the proposal was sensible.

6.7.5.Twenty-eight (13%) respondents suggested alternative approaches, including using actual tier splits, splits based on budget size, or a judgement-based approach. Nineteen respondents (9%) argued against an approach based on averages.

6.7.6.**Government response:** Overall, responses show that the 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 had clear support.

- 6.7.7. The government believes that the proposed approach supports the principle of simplicity, and also ensures equal treatment of otherwise similar authorities within the system. **The government is therefore continuing to propose splitting or allocating the resource adjustment in multi-tier areas by uniformly apply the average tier split** (as outlined in [paragraphs 6.3.25-28 of the Fair Funding Review 2.0](#)).
- 6.7.8. The government notes queries raised on how or whether council tax income for Parish Councils and the Greater London Authority (GLA) is factored into the calculation of council tax Tier Splits. The government can confirm we do not include Parish precept income when calculating the council tax tier split.
- 6.7.9. On the GLA, the government refers to the [published technical annex on the resource adjustment](#). This document outlines the government's proposal to apply only a limited share of the resource adjustment to the GLA.

7. Chapter 7. Running the Business Rates Retention System

7.1. 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?

7.1.1. [Chapter seven of the Fair Funding Review 2.0](#) sought views on the government's proposed approach to risk and reward in the Business Rates Retention System.

7.1.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	232 (53%)
Respondents who disagreed with the proposal	54 (12%)
Respondents neither agreeing nor disagreeing with the proposal	56 (13%)
Respondents who had no view or did not answer this question	98 (22%)
Respondents who provided a substantive response	262

7.1.3. Two hundred and sixty-two respondents left substantive comments, which are summarised in the following paragraphs.

7.1.4. Eighteen respondents (7%) wanted further information or stated that they cannot conclude based on the content of the consultation.

7.1.5. Forty-three respondents (16%) raised that increased Safety Net protection should last beyond 2026-27.

7.1.6. Eighteen respondents (7%) were specifically against levy increases. Thirty-two (12%) respondents highlighted the importance of incentives or rewards for growth. Eleven respondents (4%) said that the levy should be applied consistently across all authorities.

7.1.7. Thirty-four respondents (13%) noted concern around being disproportionately impacted by funding reforms and exposed to increased risk.

7.1.8. Respondents discussed pooling both as a factor in the reset and in consideration of the arrangements themselves. Twenty-one respondents (8%) requested current pooling arrangements be factored into Fair Funding Assessment going forward. Twenty-three respondents (9%) requested that pooling arrangements remain available from 2026-27. A further 23 respondents (9%) asked for more information on any changes to or proposals regarding pooling.

7.1.9. Eighteen respondents (7%) raised that tier splits should be reconsidered with changes to the level of risk and reward in the business rates retention system, and to reflect the role of precepting authorities in supporting local growth.

7.1.10.**Government response:** Respondents to the consultation were supportive of proposal to increase the Safety Net in 2026-27. The government will therefore increase the Safety Net to protect 100% of local authorities' baseline funding level in 2026-27, moving down to the current level of 92.5% for most authorities over the multi-year Settlement. The government is redesigning the levy rate for all authorities to better recognise the need to provide a meaningful reward for business rates growth, simplify the Business Rates Retention System and continue the levy's role in funding the Safety Net. [More information on changes to the levy will be set out alongside this response.](#)

7.1.11.We will continue to make pooling arrangements available.

8. Chapter 8. The New Homes Bonus

8.1. 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?

8.1.1. [Chapter eight of the Fair Funding Review 2.0](#) sought views on 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.

8.1.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	210 (48%)
Respondents who disagreed with the proposal	115 (26%)
Respondents neither agreeing nor disagreeing with the proposal	28 (6%)
Respondents who had no view or did not answer this question	87 (20%)
Respondents who provided a substantive response	272

8.1.3. Two hundred and seventy-two respondents left substantive comments, which are summarised in the following paragraphs.

8.1.4. One hundred and forty nine respondents (54%) agreed with the government's proposal to end the New Homes Bonus. This view was more common for upper tier authorities, other local government sector representatives and the general public, whereas the majority of lower tier authorities - who currently receive the bulk of New Homes Bonus payments – disagreed with the proposal.

8.1.5. One hundred and twenty three respondents (45%) agreed that the New Homes Bonus was ineffective in supporting housing delivery, with one hundred and forty nine (54%) agreeing that integrating the current top slice back into the wider Settlement was appropriate.

8.1.6. One hundred and eight respondents (39%) felt that incentives such as the New Homes Bonus can be an effective means of incentivising housing delivery, and we sought to explore ideas and suggestions for what makes effective incentives to local authorities in Question 19 below.

8.1.7. One hundred and three respondents (37%) expressed concerns that ending the New Homes Bonus would represent a redistribution of funding from their areas to other local authorities. Eighty eight respondents (32%) expressed concerns that simply ending the New Homes Bonus might have negative consequences on local authorities' financial stability.

8.1.8. Sixty eight respondents (25%) linked ending of the New Homes Bonus to the wider programme of funding simplification, noting that it is a positive step for the government's approach to local government finance.

- 8.1.9. **Government response:** The government does not believe that the New Homes Bonus is an effective incentive. It often rewards authorities for housebuilding that would have occurred the absence of any incentive, and its efficacy is further blunted by interactions with the remainder of the Settlement.
- 8.1.10. The government will end the New Homes Bonus in its current format from 2026-27 and retain the funding within the wider Settlement, where it will be directed to the authorities that need it most. Respondents to both the objectives and principles consultation, and to the Fair Funding Review 2.0, overall agreed with the government's proposal to end the New Homes Bonus.
- 8.1.11. The government is committed to delivering 1.5 million safe and decent homes this Parliament, as set out in our Plan for Change. **Measures to achieve this, both within the Settlement and more broadly, are set out in response to question 19 and question 27.** These include the £39 billion successor to the affordable homes programme to support the biggest boost in social and affordable housebuilding in a generation and the decision to reward local authorities for housebuilding by excluding council tax base projections from the resource adjustment.

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

- 8.2.1. The Fair Funding Review 2.0 sought views on the types of measures and incentives the government could use to support housebuilding, specifically affordable and sub-market.
- 8.2.2. This was an open question and did not ask respondents specifically to agree or disagree.

Respondents who provided a substantive response	324
Respondents who had no view or did not answer this question	116

- 8.2.3. Three hundred and twenty four respondents left substantive comments in response to this question, which are summarised in the following paragraphs.
- 8.2.4. One hundred and ninety-six respondents (60%) argued that financial incentives are crucial to driving housing growth, especially to achieve the government's focus on affordable housing. Respondents raised a number of ways this could be achieved, including reform of the Public Works Loan Board, retaining a part of Right To Buy receipts and access to government guarantees.
- 8.2.5. Some of those respondents who agreed with the government's focus on affordable housing, mentioned the affordable homes programme as a key avenue of support for this endeavour - with most wanting to see additional targeted grant funding for affordable homes.

8.2.6. Funding flexibility was mentioned by a number of respondents, with one hundred and sixty respondents (49%) arguing that funding models must reflect local needs. Examples raised included raising the Housing Revenue Account threshold and providing local authorities with a greater share of council tax growth or business rates.

8.2.7. Forty respondents (12%) raised the need for properly funded infrastructure and sixty respondents (18%) raised planning capacity.

8.2.8. **Government response:** The government is grateful for these representations and will give further consideration to them as part of its plans to build 1.5 million safe and decent homes in England this Parliament. As outlined in our Plan for Change, this government will work closely with industry, including developers, housing associations and local authorities, to achieve this necessary step change in housing supply.

8.2.9. The government has already taken important steps to ensure that local government is able to support us towards this objective, reintroducing mandatory housing targets, reforming the National Planning Policy Framework, enhancing Mayoral devolution, and providing additional investment in social and affordable housing. In March, we announced £2 billion of new investment to support the biggest boost in social and affordable housebuilding in a generation and have more recently confirmed £39 billion for a successor to the affordable homes programme. As outlined further in the response to question 27, the government will reward local authorities for housebuilding by excluding council tax base projections from the resource adjustment.

9. Chapter 9. Transitional arrangements and keeping allocations up to date

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

9.1.1. [Chapter nine of the Fair Funding Review 2.0](#) sought views on further flexibilities, including capital flexibilities and council tax flexibilities, that could support local decision-making during the period of transition to a reformed Settlement.

9.1.2. This was an open question and did not ask respondents specifically to agree or disagree.

Respondents who provided a substantive response	311
Respondents who had no view or did not answer this question	129

9.1.3. Three hundred and eleven respondents left substantive comments, which are summarised in the following paragraphs.

9.1.4. A large proportion of respondents called for government to provide local authorities with greater flexibilities to raise and retain income locally, with one hundred and seventy-nine respondents (58%) sharing the view that local authorities should be given more discretion to increase council tax levels above referendum limits and eighty-five respondents (27%) calling for further flexibilities with setting Fees and Charges.

9.1.5. Fifty-four respondents (17%) said that grant ringfencing should be reduced or removed; thirty-four respondents (11%) raised that the capital receipts flexibility should be continued and widened; and twenty-nine respondents (9%) noted that council tax banding should be reviewed.

9.1.6. Overall, there was not support for government to provide local authorities with further capital flexibilities. Twenty-one respondents (7%) said they do not believe any further flexibilities would help and twenty respondents (6%) shared the view that capital flexibilities are not an appropriate way to manage council budgets and financial sustainability.

9.1.7. **Government response:** The government's response to further flexibilities is set out under question 21.

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

9.2.1. The Fair Funding Review 2.0 sought views on the safeguards that would need to go alongside any additional flexibilities, including capital flexibilities, to support local decision-making during the transitional period.

9.2.2. This was an open question and did not ask respondents specifically to agree or disagree.

Respondents who provided a substantive response	265
Respondents who had no view or did not answer this question	175

9.2.3. Two hundred and sixty-five respondents left substantive comments, which are summarised in the following paragraphs.

9.2.4. Eighty-two respondents (31%) said that no safeguards would be required and eighty-two respondents (31%) stated that local authorities are democratically elected bodies and are accountable for their own decisions. Forty-four respondents (17%) said that auditors provide a necessary safeguard and / or that the audit backlog must be addressed. A further forty-four respondents (17%) mentioned that any safeguards should be time-limited and should not exceed the transitional period.

9.2.5. Additional views shared included thirty-four respondents (13%) noting that flexibilities should include safeguards that provide a form of monitoring or reporting of the use of flexibilities; twenty-three respondents (9%) said that they should protect the most vulnerable individuals; and twenty-five respondents (9%) said that flexibilities should ensure that no local authority is financially worse off.

9.2.6. **Government response:** The government agrees with respondents that implementing funding reform in 2026-27 without transitional arrangements would be the wrong approach. We will balance the need to fund local authorities fairly with making sure changes in funding are sustainable and enable continued service provision. The detail of these transitional arrangements is set out under questions 22 and 23 below.

9.2.7. We recognise the challenging financial context for local authorities as they continue to deal with the legacy of the previous system. **The government will therefore have a framework in place for next year to support local authorities in the most difficult positions.** Feedback through the consultation process and wider engagement indicated that the local government sector did not support the idea of additional budget flexibilities, such as balancing budgets across multiple years. Confirmation of the government's approach is included in the [policy statement](#), and further detail on the support framework will be provided in due course.

9.2.8. The government notes representations made on providing local authorities with the flexibility to increase council tax levels above referendum limits. To strike the right balance between protecting taxpayers and supporting local authorities, the government will consider local requests for council tax flexibility where a local authority is facing significant local financial difficulty and views additional council tax increases as critical to managing financial risk. **We will consider requests for additional flexibility on a case by case basis taking into account local authorities' specific circumstances, and will not agree to requests for additional flexibilities from authorities where council taxpayers are already paying above the average bill.** Further detail on the government's approach is set out in the [policy statement](#).

9.2.9. The government also acknowledges representations made on providing further flexibilities on fees and charges, and **we have outlined our approach to conducting a review of fees and charges in our response to question 34.**

9.2.10. To address the unprecedented backlog of unaudited accounts in England, the government has implemented statutory backstop dates for financial years up to and including 2027-28. **The English Devolution and Community Empowerment Bill will establish the Local Audit Office to ensure that there is an effective and efficient early-warning system for local government.** The Bill will also support wider reforms to rebuild and strengthen the effectiveness of the local audit system.

9.3. Question 22. Do you agree or disagree that we should move local authorities to their updated allocations over the three-year multi-year Settlement? Please provide any additional information, including the impact this measure could have on local authorities' financial sustainability and service provision.

9.3.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to moving local authorities to their new funding allocations gradually, over the multi-year Settlement, to smooth changes and provide local authorities time to plan.

9.3.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	169 (38%)
Respondents who disagreed with the proposal	165 (38%)
Respondents neither agreeing nor disagreeing with the proposal	51 (12%)
Respondents who had no view or did not answer this question	55 (12%)
Respondents who provided a substantive response	239

9.3.3. Three-hundred and thirty-nine respondents left substantive comments, which are summarised in the following paragraphs.

9.3.4. Ninety-seven responses (29%) agreed the proposals provide the right balance between time to plan sustainably and implementing changes.

9.3.5. One hundred and four responses (31%) argued for a slower transition period over between four and ten years to provide additional time to adjust to changes. By contrast, sixty-two respondents (18%) argued for a quicker transition, to ensure funding is aligned with need as soon as possible. Six respondents (2%) called for implementation to be delayed by at least a year.

9.3.6. Respondents asked for a range of additional measures to help manage the transition to new funding allocations including: fifty-nine respondents (17%) requesting information on allocations as soon as possible to support financial planning; forty-seven respondents (14%) requesting additional funding and a more generous floor; twelve respondents (4%) requesting an inflationary uplift to guarantee sustainability; and nine respondents (3%) requesting the inclusion of retained business rates in any phasing in.

9.3.7. Respondents also raised other concerns and risks that impact assumptions on transition. Thirty-three respondents (10%) raised concerns around the depletion of reserves or their earmarking for specific purposes meaning they are unavailable to support transition. Thirty-nine respondents (12%) highlighted that local government reorganisation alongside funding reform makes it challenging for local authorities to assess their future sustainability.

9.3.8. **Government response:** The government recognises the range of views in response to this question, illustrating the need to find a balance. **The government will phase in new Fair Funding Assessment allocations over the three-year Settlement**, to balance providing time for local authorities to plan for changes with moving decisively towards updated allocations.

9.3.9. The government will also ensure that all authorities which would see their income fall as a result of changes will see income protection through a range of funding floor levels over the multi-year Settlement (see question 23 below for more details). The provision of funding floors means that some local authorities will remain above their new Fair Funding Assessment allocations by the end of the multi-year Settlement. Between now and the end of the multi-year Settlement, there will be another Spending Review which will determine arrangements for 2029-30 and beyond.

9.3.10. We will operationalise phasing in allocations by constructing two distributions:

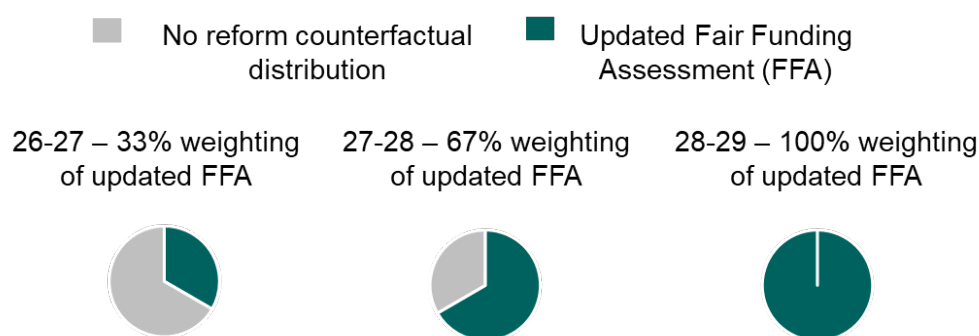
- i. A Fair Funding Assessment based on the updated assessment of local authorities' relative need and resources; and
- ii. A counterfactual distribution which assumes no reform based on:
 - Allocations through the 2025-26 Local Government Finance Settlement (except the Recovery Grant, Domestic Abuse Safe Accommodation Grant and Children's Social Care Prevention Grant, given this is funding is reserved for a specific purposes, which will continue to be distributed in a bespoke way outside of the Fair Funding Assessment);
 - Current business rates income, including locally retained growth and s.31 grant compensation paid in connection with the business rates retention system. Growth retained in enhanced retention areas and an estimate of local authority pooling benefits in 2025-26 will be incorporated; and
 - The 2025-26 allocations of grant consolidated into the Revenue Support Grant and being redistributed using the Fair Funding Assessment from 2026-27.

9.3.11. In recognition of the complexity of the business rates system, and the need for it to run uninterrupted to ensure a consistent revenue stream for local areas, **we plan to conduct the business rates retention system reset in one year, in 2026-27**. New Baseline Funding Levels will be determined by the Fair Funding Assessment (FFA) and then uprated by CPI in 2027-28 and 2028-29.

9.3.12. The reset in 2026-27 will be accompanied by the phased introduction of new Revenue Support Grant allocations over each year of the multi-year Settlement. **The government intends that Revenue Support Grant allocations will largely reflect the net position required to ensure that a council's total Baseline Funding Level and Revenue Support Grant position is sufficient to move towards their final position in increments of a third.** This position will be calculated: in 2026-27, 33% through the FFA and 67% through the counterfactual distribution; in 2027-28, 67% through the FFA and 33% through the counterfactual distribution; and in 2028-29 100% via the FFA (see figure one below).

9.3.13. In summary, while the business rates retention system will be reset in full in 2026-27, the Revenue Support Grant will be used to smooth the impact of this and move local authorities to their new allocations in increments of one third over the multi-year Settlement.

Figure one: Visualisation of phasing in for updating Settlement allocations over three years



9.3.14. As set out in the [local government finance policy statement](#), a portion of Revenue Support Grant allocations will continue to reflect a number of rolled-in grants retaining their existing distribution where funding is reserved for specific purposes.

- 9.4. 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.

9.4.1. The Fair Funding Review 2.0 sought views on the government's proposed approach on using grant for a funding floor, to ensure that local authorities see their income protected by a specified amount across the multi-year Settlement.

9.4.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	213 (48%)
Respondents who disagreed with the proposal	80 (18%)
Respondents neither agreeing nor disagreeing with the proposal	66 (15%)
Respondents who had no view or did not answer this question	81 (18%)
Respondents who provided a substantive response	310

9.4.3. Three hundred and ten respondents left substantive comments, which are summarised in the following paragraphs.

9.4.4. Seventy-two respondents (23%) stated that a flat-cash floor for the vast majority of local authorities strikes the right balance between ensuring sustainable funding changes and moving decisively towards updated allocations.

9.4.5. Ninety-eight respondents (32%) stated that any funding floor should guarantee real-terms or cash increases, to ensure sustainability and service provision. Thirty-seven respondents (12%) called for the funding floor to not assume local authorities increase their council tax over the multi-year Settlement.

9.4.6. Sixty respondents (19%) argued it is unfair to have a funding floor which allows some losses for the small group of local authorities which are furthest above their new allocations.

9.4.7. Eighty-seven respondents (28%) commented that funding for any floor protection should come from additional money and not be at the expense of areas who stand to gain from funding reform.

9.4.8. There were fifty-one responses (16%) that highlighted the need to set out an approach beyond 2028-29 to inform medium-term financial planning.

9.4.9. **Government response:** The government agrees with respondents that transitional arrangements are necessary to enable local authorities to plan for changes in an orderly and efficient manner.

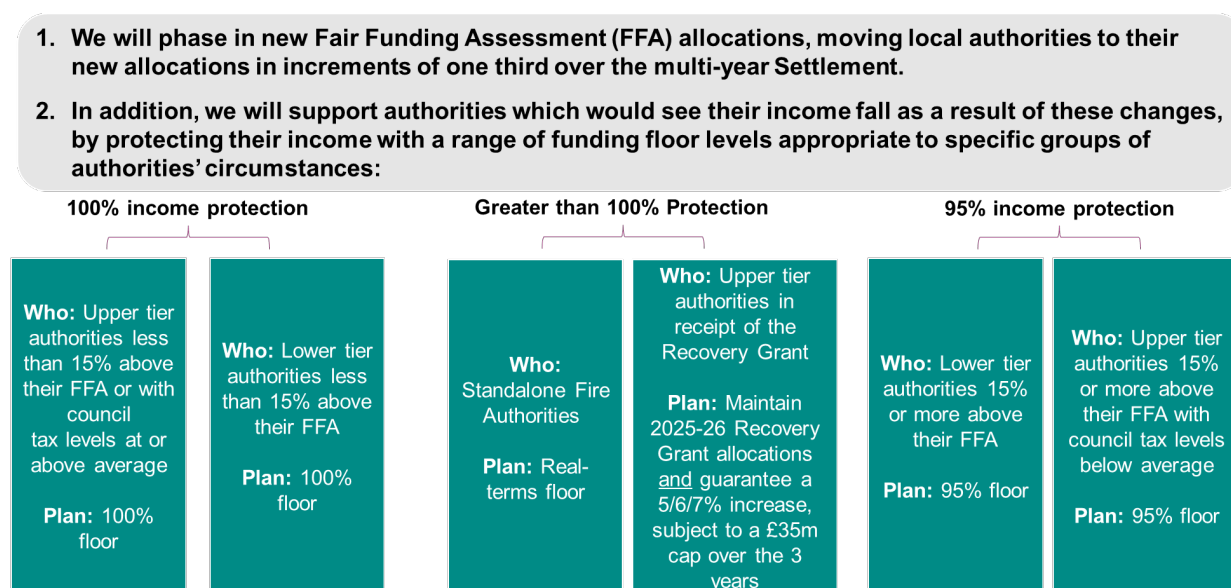
9.4.10. Some authorities have benefitted disproportionately from the current system. Furthermore, given the previous government consulted on funding reform, and the business rates retention system was designed to be periodically reset, many authorities have made preparations for changes, including by setting aside reserves. The proposed transitional arrangements set out below are more generous than anticipated by many authorities, since they include locally retained business rates growth accumulated since 2013-14. A full definition of the income baseline we will protect is set out at paragraph 9.4.15.

9.4.11. The current system is unfair and there is a balance between providing transitional arrangements and moving decisively towards improved and updated allocations which are fairer for everyone. It is the government's view that local authorities whose existing income is furthest above their Fair Funding Assessment (as calculated by applying our of relative need and resources in full in 2025-26 without any transitional arrangements) will need to accept some losses in income over the multi-year Settlement. This is necessary to ensure funding can be redirected to where it is assessed as needed most.

9.4.12. We expect the vast majority of local authorities with social care responsibilities will see their Core Spending Power increase in real terms over the multi-year Settlement, and most other local authorities will see their income increase in cash terms. However, we will apply the following transitional arrangements:

- The government will move local authorities to their Fair Funding Assessment allocations in increments of one third over the multi-year Settlement; and
- In addition to phasing in, for local authorities which would see their income fall as a result of changes, we will protect their income through a range of funding floor levels appropriate to specific groups of authorities' circumstances. These are set out in further detail below.

Figure two: Summary of transitional arrangements



9.4.13. We will apply the following levels of income protection.

- **100% income protection.** For the majority of authorities (subject to the floors below), we will ensure 100% of their 2025-26 income is protected;
- **Real-terms protection.** For standalone Fire and Rescue Authorities, we will provide a funding floor which protects their 2025-26 income in real-terms across the multi-year Settlement (more information on fire services can be found in the policy statement); and

- **95% income protection.** As outlined above, it is the government's view that councils whose existing funding is furthest above their Fair Funding Assessment will need to accept some losses in income over the multi-year Settlement. For upper tier authorities which are 15% or more above their Fair Funding Assessment, and which have council tax levels below the average, we will protect 95% of their 2025-26 income through a funding floor. For all lower tier authorities which are 15% or more above their Fair Funding Assessment, we will protect 95% of their 2025-26 income. These councils will still benefit from phasing in allocations over three years and a funding floor which ensures that 95% of their income, including locally retained business rates growth, is protected. This group will benefit from the majority of funding floor payments. We are in contact with the authorities which we expect to be eligible for 95% income protection and will set out the position at the provisional Settlement.

9.4.14. Income will be protected at 100% and 95% of the 25-26 income level in each year. Phasing in allocations over the multi-year Settlement will mean some authorities eligible for this protection may not need it until 2027-28 or 2028-29. Two worked examples are provided below.

Figure three: Worked examples of phasing in and 95% funding floor

Change in funding is presented cumulatively against the 2025-26 baseline in each scenario

	2025-26	2026-27	2027-28	2028-29
Authority A – initial calculation	100	96	90	85
Authority A – Income protection under the 95% floor level	N/A	95	95	95
Authority A – calculation after floor	N/A	96	95	95
Authority B – initial calculation	100	99	97	94
Authority B – 95% floor level	N/A	95	95	95
Authority B – calculation after floor	N/A	99	97	95

9.4.15. The 2025-26 income baseline will consist of:

- Allocations through the 2025-26 Local Government Finance Settlement (except the Recovery Grant, Domestic Abuse Safe Accommodation Grant and Children's Social Care Prevention Grant, which will continue to be distributed in a bespoke way outside of the updated Fair Funding Assessment);

- Current business rates income, including locally retained growth and s.31 grant compensation paid in connection with the business rates retention system. Growth retained in enhanced retention areas and an estimate of local authority pooling benefits in 2025-26 will be incorporated. The government recognises that business rates growth has been a core component of local government income, and therefore has decided that it is necessary to protect this income through transitional arrangements. More details on the method used to measure business rates income can be found in the [2026 reset publication](#); and
- The 2025-26 allocations of grant consolidated into the Revenue Support Grant.

9.4.16. The government will continue the existing policy that any protection available through funding floors assumes local authorities use the full council tax flexibility available to them, which will be set out through the Referendums Relating to Council Tax Increases (Principles) Report at the provisional Settlement. Assuming full take up of council tax flexibility strikes a balance between allocating funding to support authorities to transition to their new allocations and targeting funding to the places we assess as needing it most. We will also assume additional income from council tax base growth in line with each local authority's average growth over the last five years.

9.4.17. Local authorities will continue to be rewarded for local growth as part of this government's number one mission to promote economic growth. As is currently the case, new income from business rates growth over the multi-year Settlement will remain outside of Core Spending Power, and will not be considered in calculating transitional protections.

9.4.18. The government recognises that there are a very small number of authorities which require bespoke treatment through transitional arrangements. This might be because they are an outlier in the extent to which their existing share of funding is assessed as above their target allocation, or because they have unique funding arrangements and responsibilities, as is the case with the Greater London Authority. We will continue to engage these authorities on transitional arrangements.

9.4.19. As a result of our funding floors, some councils will remain above their Fair Funding Assessment allocations by the end of the multi-year Settlement. We recognise that we will need to provide certainty to these authorities about their future funding arrangements following the end of the multi-year Settlement. Between now and the end of the multi-year Settlement, there will be another Spending Review which will determine arrangements for 2029-30 and beyond.

Recovery Grant Guarantee

9.4.20. Following a large number of representations on the importance of the Recovery Grant funding, the government will maintain the 2025-26 Recovery Grant allocations. This funding was targeted at the most deprived places that suffered the most from historic funding cuts. To continue their recovery, the government will provide a 'Recovery Grant Guarantee', ensuring that upper-tier authorities in receipt of Recovery Grant see an increase of at least 5% / 6% / 7% across the multi-year Settlement compared to their 2025-26 income. This will be subject to a cap of £35 million per authority over the multi-year Settlement. The cap will ensure that we are effectively balancing funding local authorities fairly with changes that will enable continued service provision.

9.4.21. We will protect the income baseline as set out above, however we will also consider funding available through the Children, Families and Youth Grant and Homelessness, Rough Sleeping and Domestic Abuse Grant when calculating an authorities' increase for the purposes of the Recovery Grant Guarantee. Similar to the transitional protections outlined above, the Recovery Grant Guarantee will assume authorities full take up of council tax referendum principles.

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

9.5.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to including projections on residential population.

9.5.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	137 (31%)
Respondents who disagreed with the proposal	167 (38%)
Respondents neither agreeing nor disagreeing with the proposal	53 (12%)
Respondents who had no view or did not answer this question	83 (19%)

9.5.3. The government's response to questions on projections is set out under question 27.

9.6. Question 25. Do you agree or disagree with including projections on council tax level?

9.6.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to including projections on council tax level.

9.6.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	119 (27%)
Respondents who disagreed with the proposal	203 (46%)
Respondents neither agreeing nor disagreeing with the proposal	34 (8%)
Respondents who had no view or did not answer this question	84 (19%)

9.6.3. The government's response to questions on projections is set out under question 27.

9.7. Question 26. Do you agree or disagree with including projections on council tax base?

9.7.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to including projections on council tax base.

9.7.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	118 (27%)
Respondents who disagreed with the proposal	198 (45%)
Respondents neither agreeing nor disagreeing with the proposal	36 (8%)
Respondents who had no view or did not answer this question	88 (20%)

9.7.3. The government's response to questions on projections is set out under question 27.

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

9.8.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to projecting residential population, council tax level and council tax base.

9.8.2. This was an open question and did not ask respondents specifically to agree or disagree.

Respondents who provided a substantive response	224
Respondents who had no view or did not answer this question	216

9.8.3. Two hundred and twenty-four respondents left substantive comments, which are summarised in the following paragraphs.

9.8.4. On population projections, sixty-one respondents (27%) were in favour of their use to increase the efficiency of distribution and ensure needs assessment is kept up to date. However, ninety-one respondents (41%) expressed concerns about accuracy and robustness.

9.8.5. On council tax level, sixty-five responses (29%) supported the view that projection of notional council tax level will help ensure areas less able to raise income through tax are not left behind and the objectives of equalisation are realised. Conversely, fifty-four comments (24%) argued that a projection of council tax level, based upon the government's referendum principles, undermines local leaders' discretion on setting rates in their area.

9.8.6. On council tax base, sixty-seven responses (30%) had concerns about robustness citing the uncertainty of continuing historic trends and the many variables, such as mandatory exemptions and discretionary premiums, that can cause fluctuation. Twenty-five respondents (11%) argued that council tax base projections would undermine incentives for growth and housebuilding, noting that additional income from homes built during the Settlement period would be a bonus if they are excluded from funding allocations. Should council tax base projections be implemented, seventy-four respondents (33%) expressed a clear preference for using a bespoke method based on past local authority behaviour and circumstances, compared with ten respondents (4%) who suggested using a uniform average projection.

9.8.7. Forty-four respondents (20%) highlighted the need for frequent full data resets every three years in line with the start of multi-year; ten respondents (4%) for projections of need and resource to be implemented in tandem; and eight respondents (4%) for there to be transparency and consistency with data and methods used in calculations.

9.8.8. **Government response:** Having considered responses carefully, alongside the principles of dynamism and stability, the government will:

- Reward Local Authorities for housebuilding by excluding council tax base projections from the resource adjustment;
- Include council tax level projections in the resource adjustment calculations; and
- Include residential population projections in the Foundation Formula, Adult Social Care Formula and Fire and Rescue Formula.

- 9.8.9. As part of the Plan for Change, the government is committed to an overhaul of the planning system to accelerate housebuilding and deliver 1.5 million homes over this Parliament. By not projecting council tax base, any council tax income from new homes will be additional, thereby rewarding authorities for housebuilding across the multi-year Settlement. Through these reforms more broadly, local authorities will be empowered as key partners in meeting housing need and helping deliver growth across the country putting more money in working people's pockets. As set out in the response to question 19, this measure will support wider measures recently introduced to promote housebuilding.
- 9.8.10. Council tax level projections will support the government's role as an equaliser for local government income, by fully accounting for local authorities' income raising abilities across the multi-year Settlement. As a result, funding will be directed towards the places that are less able to meet their needs through locally raised income from council tax. Projection of the notional council tax level will assume that local authorities use the full flexibility permitted under the referendum principles of a 3% core council tax, and a 2% adult social care precept.
- 9.8.11. The government's policy of projecting council tax level does not affect the amount of council tax local authorities raise, which remains a local decision, or the overall amount of funding available nationally. In line with the proposal to implement frequent resets, we will adjust for the actual amount of council tax raised at the beginning of each Settlement.
- 9.8.12. Population projections will help target funding to areas with increasing demand across the multi-year Settlement, keeping the system up to date and reduce variations in funding at the point of reset. For the Foundation Formula, **we propose using the Sub National Population projections produced by the Office for National Statistics (ONS), with the latest projections based on the mid-year population estimates for 2022.** To align the wider system, the government continues proposing that other formula including Fire and Adult Social Care will include the same population projection data source as the Foundation Formula.
- 9.8.13. Noting the limitation of any forward projection, the Sub National Population Projections provided by the ONS are accredited national statistics and appropriate for the allocation of central government funding. As proposed, updating population data in line with the start of each multi-year Settlement will mitigate against any discrepancy between predictions and actual population.

10. Chapter 10. Devolution, local government reorganisation and wider reform

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

10.1.1. [Chapter ten of the Fair Funding Review 2.0](#) sought views on the government's proposal to combine allocations in areas that reorganise into a single unitary authority along existing geographic boundaries.

10.1.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	189 (43%)
Respondents who disagreed with the proposal	39 (9%)
Respondents neither agreeing nor disagreeing with the proposal	37 (8%)
Respondents who had no view or did not answer this question	175 (40%)
Respondents who provided a substantive response	147

10.1.3. One hundred and forty-seven respondents left substantive comments, which are summarised in the following paragraphs.

10.1.4. Thirty-one respondents (21%) requested that support is provided for the costs of transitioning to these new structures on top of the funding provided through the annual Settlement.

10.1.5. Twenty-five respondents (17%) argued that there will be a need to reset the funding allocations for new unitary authorities in future years beyond the multi-year Settlement period.

10.1.6. Twenty respondents (14%) mentioned the potential impact of reorganisation within areas that are not reorganising, with most arguing that reorganisation should not negatively impact the funding of other areas.

10.1.7. There were also eleven respondents (7%) who used their response to this question to raise wider concerns about local government reorganisation.

10.1.8. **Government response:** The government will proceed with the proposals set out in the consultation. This reflects that the majority (one hundred and eighty-nine, 71%) of respondents who expressed a view on this question agreed with the approach.

10.1.9. **Where areas reorganise, the government will set a 'funding envelope' for the new councils created where areas reorganise.** This envelope will be set by combining the allocations of the relevant local authorities in the year(s) of the multi-year Settlement following reorganisation.

- 10.1.10. The government will not recalculate allocations or transitional protections based on any new unitary authorities created during this multi-year Settlement period. Funding floor allocations for existing authorities will therefore be included within the funding envelope. This approach addresses two concerns raised in consultation responses.
- 10.1.11. First, stability: Twenty responses raised concerns that the alternative approach - recalculating allocations for new unitary authorities – would create turbulence in allocations for every local authorities, including those outside areas that undergo reorganisation. This would undermine the benefits of certainty that the multi-year Settlement period provides.
- 10.1.12. Second, sustainability: Thirty-one responses raised concerns about the cost of reorganisation. Recalculating allocations or transitional protections after places reorganise would reduce the level of grant funding provided to areas that are reorganising during this multi-year Settlement period. Our approach will allow areas that reorganise to keep any additional funding in recognition of the additional one-off transition costs that areas undergoing reorganisation will face. The government's position is that this funding should be used to support the one-off transition costs of reorganisation.
- 10.1.13. To ensure the local government sector is returned to a fair and equitable position in the medium and long- term, the government will recalculate allocations for all authorities, including new unitaries, in the next multi-year Settlement.

10.2. 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?

10.2.1. The Fair Funding Review 2.0 sought views on areas which create new unitaries along boundaries that dissect existing councils. The government proposed the area will need to agree a fair division of funding due to each successor council, based on locally available information on the relative demand for services in each successor council.

10.2.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	175 (40%)
Respondents who disagreed with the proposal	41 (9%)
Respondents neither agreeing nor disagreeing with the proposal	38 (9%)
Respondents who had no view or did not answer this question	186 (43%)
Respondents who provided a substantive response	157

- 10.2.3. One hundred and fifty-seven respondents left substantive comments, which are summarised in the following paragraphs.
- 10.2.4. Thirty-nine respondents (25%), while agreeing with the proposal in principle, requested that the approach be strengthened to address concerns that areas may not be able to agree the division of funding locally. These responses contained a number of suggestions to address this concern: setting clear a deadline by which point local agreements will need to be reached, and putting in place a backstop if places are unable to agree by the deadline, whereby the Secretary of State for MHCLG will make a determination of the division of funding in order to fulfil the duties set out in the Local Government Finance Act 1988.
- 10.2.5. Twenty-three respondents (15%) expressed a preference for central government to determine funding allocations, either during this multi-year period, or in the next following multi-year period.
- 10.2.6. Thirty-three respondents (21%) raised concern about the assumptions that have been made about the efficiencies generated by local government reorganisation.
- 10.2.7. There were also eleven respondents (7%) who used their response to this question to raise wider concerns about local government reorganisation.
- 10.2.8. **Government response:** Having considered responses, the government will strengthen the process set out in the Fair Funding Review 2.0, in line with suggestions made in responses. As set out in the consultation, where boundary changes take place as part of reorganisation, areas will need to agree a fair division of this funding for each new unitary. For example, if a county is divided in two, the two new unitaries will need to agree how to divide the funding due to the county council.
- 10.2.9. To strengthen the process, the government has set out a clear timetable for making these agreements below, and will consider an appropriate 'backstop' arrangement if areas are unable to come to an agreement.
- 10.2.10. Areas will only need to agree the division of grant funding that would have been provided to a council whose boundaries are altered by reorganisation. For example, where a county council is split into two or more new unitaries, areas will need to agree the division of upper tier grant funding due to each unitary. In this example, assuming new unitary boundaries are set along borders of existing district councils, lower tier grant funding due to each district will be provided to the unitary that replaces it.
- 10.2.11. Areas will need to confirm the division of funding to new unitaries by the June ahead of the vesting day for the relevant council. For the new Surrey unitaries, with a vesting day in April 2027, this deadline will be June 2026. For other areas, with vesting days in April 2028, this deadline will be June 2027. This is to ensure that there is sufficient time to confirm any queries with areas ahead of the government's process for agreeing of the annual provisional Settlement for that year.

- 10.2.12. Following the conclusion of the upcoming multi-year Settlement period, 2026-2029, and as set out above, the government will recalculate funding allocations due to new unitary authorities. This will be possible only once the relevant data required to calculate allocations begins to be reported on the basis of new unitary boundaries.
- 10.2.13. If areas are unable to reach an agreement, the MHCLG Secretary of State will make a determination on the share of Settlement allocations due to new unitaries. The government is clear that the use of a backstop is a last resort. Areas should make every effort to come to local agreements ahead of the deadline set out above. Noting that government does not hold the relevant data to accurately model the allocations due to each new unitary at this stage, the government will consider further the basis on which backstop decisions could be made to ensure any division of funding is made on a rational basis. We will set out further details in due course.
- 10.2.14. Following consultation, the government has considered its approach to providing guidance to areas on reaching local agreements regarding funding. The government will explore whether engaging an external provider to produce this guidance will better support the local government reorganisation process.
- 10.2.15. Finally, for the avoidance of doubt, the government has not made an assumption on efficiency savings from local government reorganisation in this multi-year Settlement period. Efficiency savings from local government reorganisation will clearly depend on the final proposals implemented in different areas. Our approach will ensure that areas are not penalised for undergoing reorganisation and are able to meet any one-off transition costs. We also recognise that savings from reorganisation will continue to be realised over a longer period than is covered by this multi-year Settlement.

10.3. Question 30. Do you agree that the government should work to reduce unnecessary or disproportionate burdens created by statutory duties?

- 10.3.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to reduce unnecessary or disproportionate burden created by statutory duties.
- 10.3.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	312 (71%)
Respondents who disagreed with the proposal	20 (5%)
Respondents neither agreeing nor disagreeing with the proposal	15 (3%)
Respondents who had no view or did not answer this question	93 (21%)
Respondents who provided a substantive response	273

10.3.3. Out of the respondents, two hundred and seventy-three provided substantive comments, which are summarised in the following paragraphs.

10.3.4. One hundred and two respondents (38%) commented on the burdens around auditing and Statement of Accounts. Ninety-six respondents (35%) noted the burdens on Freedom of Information and Subject Access Requests.

10.3.5. Ninety-three respondents (34%) commented on the administrative pressures around central government monitoring and reporting requirements. Seventy-nine respondents (29%) noted the administrative burdens around the planning appeals processes.

10.3.6. Burdens surrounding bidding and reporting for multiple grants was also identified, where forty-three respondents (16%) noted the need for greater flexibility and fewer ring-fenced funds. Respondents also raised concerns, mainly around administrative burdens, with other high-cost service delivery areas such as SEND, adult social care, and children's social care.

10.3.7. Government response: The government is looking at ways to reduce burdens on local authorities created by statutory duties, while ensuring that essential services communities rely on are maintained. We are currently engaging across government on the best approach.

11. Chapter 11. Sales, fees and charges reform

11.1. 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.

11.1.1. [Chapter eleven of the Fair Funding Review 2.0](#) sought views on the government's proposed approach to a framework through which to assess fee reforms.

11.1.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	145 (33%)
Respondents who disagreed with the proposal	115 (26%)
Respondents neither agreeing nor disagreeing with the proposal	57 (13%)
Respondents who had no view or did not answer this question	123 (28%)
Respondents who provided a substantive response	246

11.1.3. Two hundred and forty-six respondents left substantive comments, which are summarised in the following paragraph.

11.1.4. Fifty-three respondents (22%) believed that the framework did not allow for enough local control over fee-setting. Forty-four respondents (18%) agreed in principle but were unsure about some aspects of the framework.

11.1.5. Fifteen respondents (6%) said that the framework did not go far enough, and one hundred and thirty-one respondents (53%) said that the framework as proposed did not afford enough control at the local level to authorities. Sixty-five respondents (26%) said the framework was unhelpful or unclear.

11.1.6. As indicated above, many respondents used this question to advocate for full localisation of fee-setting.

11.1.7. **Government response:** The government's response to sales, fees and charges reform is set out under question 34.

11.2. 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.

11.2.1. The Fair Funding Review 2.0 sought views on how best to balance the need to maintain the value of fees, and the original policy intent of the fee level whilst minimising impacts on the cost of living for service users.

11.2.2. This was an open question and did not ask respondents specifically to agree or disagree.

Respondents who provided a substantive response	252
Respondents who had no view or did not answer this question	188

11.2.3. Two hundred and fifty two respondents provided substantive views, which are summarised in the following paragraphs.

11.2.4. One hundred and sixty-eight (67%) respondents said that local government should be trusted to assess fee levels and if necessary, the level of subsidisation from the general fund. Twenty-three respondents (9%) said that central government should set and update a national fee.

11.2.5. Eighty-three (33%) respondents provided suggestions on how to balance the interests of local authorities and charge payers.

11.2.6. Sixty respondents (24%) said that service sustainability should be the main priority in setting a fee, whilst twenty six (10%) comments said that the priority should be placed on service users.

11.2.7. **Government response:** The government's response to sales, fees and charges reform is set out under question 34.

11.3. 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.

11.3.1. The Fair Funding Review 2.0 sought views on a number of proposed measures to protect charge payers from excessive increases. It also invited suggestions for other measures.

11.3.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	112 (25%)
Respondents who disagreed with the proposal	140 (32%)
Respondents neither agreeing nor disagreeing with the proposal	66 (15%)
Respondents who had no view or did not answer this question	122 (27%)
Respondents who provided a substantive response	234

- 11.3.3. Two hundred and thirty-four respondents left substantive comments, which are summarised in the following paragraphs.
- 11.3.4. One hundred and fifty-one responses (64%) expressed that fees should be devolved, thirty-eight (16%) responses said that the suggested measures could provide an effective balance, and thirty-three (14%) responses provided suggestions for other measures.
- 11.3.5. Nineteen responses (8%) had concerns about how the measures would be implemented locally, and fourteen (6%) responses said fees should be updated. Four responses (2%) said restrictions on cost recovery should be relaxed.
- 11.3.6. **Government response:** The government's response to sales, fees and charges reform is set out under question 34.

11.4. 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?

11.4.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to sequencing fee reform.

11.4.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	126 (29%)
Respondents who disagreed with the proposal	148 (34%)
Respondents neither agreeing nor disagreeing with the proposal	45 (10%)
Respondents who had no view or did not answer this question	121 (28%)
Respondents who provided a substantive response	215

- 11.4.3. Two hundred and fifteen respondents left substantive comments, which are summarised in the following paragraphs.
- 11.4.4. One hundred and twenty-four responses (58%) said that the government should move straight to devolution, and one hundred and fifteen (53%) responses said reforms to sales, fees and charges were moving too slowly generally.
- 11.4.5. Eighty respondents (37%) said that the proposed sequencing was appropriate – this includes respondents who expressed a preference for immediate devolution but agreed that the sequencing as proposed was sensible if immediate devolution was not possible.

- 11.4.6. **Government response:** Across all four questions in this chapter, respondents made clear that they wish to see devolution of sales, fees and charges. We recognise the importance of providing local leaders greater flexibility. However, we must ensure that any fee rises are proportionate and considered. **The government will therefore conduct a review of sales, fees and charges.**
- 11.4.7. Given the overall agreement with the framework set out at [section 11.2.3 of the Fair Funding Review 2.0](#), **the review will consider fees against the framework made up of these criteria:**
- Impacts on persons who share particular protected characteristics under the Equality Act 2010, compared to those who do not;
 - Impacts on businesses;
 - Behavioural impacts, for example if changes to the fee level would act as a disincentive to using the service; and
 - The quality, potential for improvement, and financial sustainability of the service.
- 11.4.8. The sales, fees and charges review will take into account respondents' views and suggestions on ensuring changes are balanced in a way that reflects interests of both local authorities and service users and achieves value for council tax payers; as well as measures to protect service users and how these might be applied to different service areas.
- 11.4.9. **Having listened to the local government sector on improving specific fees, the government has already made progress in key service areas.** The Planning and Infrastructure Bill contains a measure to allow the Secretary of State to sub-delegate the setting of planning fees to Local Planning Authorities, and that fee income must be retained for spending on an authority's relevant planning function. The proposed model will allow local variation from a national default fee – which will be a local decision. The department has also recently launched a [consultation on reform to building control charges](#), to enable building control services to better recover costs.
- 11.4.10. Aside from the progress set out above, we will not change any fees in scope of our review while it is being completed. Where the legislation for a service area stipulates that fees are set by central government, devolving the ability to set fees locally will require primary legislation. Given the significant catalogue of legislation on this matter, and the need to ensure the impact on service users is considered, changes will take time to implement.
- 11.4.11. The government will also consider where there might be overlapping opportunities between reducing burdens on local authorities and modifications to fees, while protecting service users from disproportionate fee increases via the framework we set out in the consultation.

12. Chapter 12. Proposed design of relative needs formulas

12.1. Questions 35-38 focused on the Adult Social Care Relative Needs Formula. Question 35. Do you agree or disagree that these are the right 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.

12.1.1. [Chapter 12 of the Fair Funding Review 2.0](#) sought views on the relative needs indicators the government proposed updating in both the younger adults and older adults components of the Adult Social Care Relative Needs Formula (ASC RNF). It also sought views on whether there are any other relative needs indicators that should be considered.

12.1.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	104 (24%)
Respondents who disagreed with the proposal	57 (13%)
Respondents neither agreeing nor disagreeing with the proposal	115 (26%)
Respondents who had no view or did not answer this question	164 (37%)
Respondents who provided a substantive response	221

12.1.3. One hundred and sixty-one respondents either agreed or disagreed with this question. Of these one hundred and sixty-one, one hundred and four (65%) agreed with the proposal.

12.1.4. Two hundred and twenty-one respondents left substantive comments, which are summarised in the following paragraphs.

12.1.5. Fifty-five respondents (25%) commented that they felt the methodology used for reaching the proposed relative needs indicators was robust. Thirty-one respondents (14%) commented that further consultation was needed.

12.1.6. A number of respondents proposed alternative and/or additional relative needs indicators. Thirty-four (15%) respondents proposed using additional disability metrics and twenty-five (11%) respondents proposed using housing affordability.

12.1.7. **Government response:** Noting that more respondents agreed than disagreed with our proposal, and that the most common theme was that respondents considered the methodology robust, **the government will update the ASC RNF with the proposed relative needs indicators.** This will ensure that the formula reflects a more up-to-date assessment of needs across local authorities and is consistent with our principle of a robust distribution.

12.1.8. As set out in the consultation, we are unable to incorporate additional indicators in time for 2026-2027 but DHSC have discussed this feedback with the independent academics at the National Institute for Health and Care Research - Adult Social Care Research Unit (NIHR-ASCRU) at the University of Kent who developed the proposal and will continue to review the formula.

12.2. 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?

12.2.1. The Fair Funding Review 2.0 sought views on the government's proposal to include population projections in the ASC RNF that have been rebased using Census 2021 data.

12.2.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	99 (23%)
Respondents who disagreed with the proposal	119 (27%)
Respondents neither agreeing nor disagreeing with the proposal	51 (12%)
Respondents who had no view or did not answer this question	171 (39%)
Respondents who provided a substantive response	195

12.2.3. Two hundred and eighteen respondents either agreed or disagreed with this question. Of these two hundred and eighteen, ninety-nine (45%) agreed with the proposals.

12.2.4. One hundred and ninety-five respondents left substantive comments, which are summarised in the following paragraphs.

12.2.5. Twenty-nine (15%) respondents shared that they felt the Census 2021 data was unreliable and/or inaccurate as it was collected during the COVID-19 pandemic and assumed to have been affected by the impact this had on many people's places of residence.

12.2.6. Twenty-four (12%) respondents explicitly advised that they did not support the proposal to use population projections in the model, including as they felt that it was too challenging to accurately predict population at individual local authority level, and advised that they would prefer population estimates to be used.

12.2.7. Fifty-eight (30%) respondents raised the timeliness of the data, with some respondents suggesting that the population data in the model should be updated at regular intervals.

12.2.8. **Government response:** The government has taken all responses into consideration, alongside responses to other questions in the consultation relating to the use of projected data. **As set out in the response to question 27, population projections will be used for the relevant needs formulas to be consistent with our principle of dynamism.** As previously noted, while there are limitations with population projections, the Sub National Population Projections provided by the ONS are accredited national statistics and appropriate for the allocation of central government funding. As proposed, updating population data in line with the start of each multi-year Settlement will mitigate against any discrepancy between predictions and actual population.

12.2.9. On this basis, the government will use population projections rebased to the Census 2021 data, which has now been published. There will be limited difference in the allocation shares compared to if we used estimates.

12.3. 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?

12.3.1. The Fair Funding Review 2.0 sought views on the government's proposal to include a Low Income Adjustment (LIA) for the older adults component of the ASC RNF model.

12.3.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	130 (30%)
Respondents who disagreed with the proposal	66 (15%)
Respondents neither agreeing nor disagreeing with the proposal	52 (12%)
Respondents who had no view or did not answer this question	192 (44%)
Respondents who provided a substantive response	183

12.3.3. One hundred and ninety-six of which either agreed or disagreed with this question. Of these one hundred and ninety-six, one hundred and thirty (66%) agreed with the proposal.

12.3.4. One hundred and eighty-three respondents left substantive comments, which are summarised in the following paragraphs.

12.3.5. Seventy-one (39%) respondents commented that they felt that local adjustments for income should be made, whilst thirteen (7%) respondents commented that local adjustments for income have low impact.

12.3.6. Forty-four (24%) respondents advised that housing affordability and deprivation in individual local authorities should be taken into account.

12.3.7. Fifty-six (31%) respondents commented that further consultation would be required and eighteen (10%) commented that the methodology requires refinement.

12.3.8. Government response: Noting that more respondents agreed than disagreed with our proposal, and to be consistent with our principle of robustness, the government will continue including a Low Income Adjustment (LIA) for the older adults component of the ASC RNF model to account for contributions made by adult social care service users towards their care costs.

12.4. 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?

12.4.1. The Fair Funding Review 2.0 sought views on the government's proposal that the overall ASC RNF should combine the component allocation shares using weights derived from the national adult social care net current expenditure data on younger and older adults (in this case 2023 to 2024). It also sought views, from those who disagreed with the proposal, on what other weights they would use, why, and what data they would be based on.

12.4.2. We received the following overall responses to these questions:

Respondents who agreed with the proposal	159 (36%)
Respondents who disagreed with the proposal	42 (10%)
Respondents neither agreeing nor disagreeing with the proposal	46 (10%)
Respondents who had no view or did not answer this question	193 (44%)
Respondents who provided a substantive response	138

12.4.3. Two hundred and one respondents either agreed or disagreed with this question. Of these two hundred and one, one hundred and fifty-nine (79%) agreed with the proposal.

12.4.4. One hundred and thirty-eight respondents left substantive comments, which are summarised in the following paragraphs.

12.4.5. Thirty-one (22%) respondents commented that the methodology behind the proposal was robust.

12.4.6. Eighteen (13%) respondents felt that it needed some refinement. Some also proposed that the weights should be reviewed regularly.

12.4.7. Forty (29%) respondents commented that use of the latest data should be prioritised, and fifteen (11%) respondents commented that further splits of age should be considered.

12.4.8. Twenty-nine (21%) respondents commented that further consultation was required.

12.4.9. Government response: Noting that more respondents agreed than disagreed with our proposal, the government will update the ASC RNF with the combined component allocation shares using weights derived from the national adult social care net current expenditure data on younger and older adults from 2023 to 2024. We consider this method to be consistent with our principle of robustness.

12.5. Questions 39-40 focused on the Children and Young People's Services formula. Question 39. Do you agree that ethnicity should be removed as a variable in the CYPS formula?

12.5.1. The Fair Funding Review 2.0 sought views on the proposed removal of the child ethnicity variable from the Children and Young People's Services formula (from now on referred to as the children's formula).

12.5.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	120 (27%)
Respondents who disagreed with the proposal	70 (16%)
Respondents neither agreeing nor disagreeing with the proposal	64 (15%)
Respondents who had no view or did not answer this question	186 (43%)
Respondents who provided a substantive response	180

12.5.1. Of those who responded, two hundred and fifty (57%) neither agreed or disagreed, or had no view on the proposal. One hundred and twenty (27%) agreed with the decision, describing this as a reasonable decision based on the sound rationale set out in the consultation.

12.5.2. One hundred and eighty respondents left substantive comments, which are summarised in the following paragraph.

12.5.3. Fifty-six (31%) respondents highlighted a strong association between ethnicity and use of children's social care services. Forty-nine respondents (27%) called for greater evidence to better understand the role of ethnicity in children's social care service use. Feedback from forty-eight respondents (27%) supported the analytical rationale presented in the consultation for removing ethnicity. Twenty-six respondents (14%) emphasised the importance of including ethnicity in an assessment of need in more diverse areas. Twenty-five respondents (14%) urged the government to provide clearer justification for removing ethnicity. Eighteen respondents (10%) noted the need for families of all ethnicities to be treated equally with regards to children's services.

12.5.4. **Government response:** Following careful consideration of consultation feedback and further analysis following recent data updates to the model, **the government will not include ethnicity in the final children’s formula.** Our aim is to ensure that funding allocations are based on the most accurate and reliable data to determine the need for children and family services. We do not believe that including ethnicity in the formula would advance this principle.

12.5.5. There remains no clear explanation for why children from some ethnic backgrounds are more likely to be registered as a Child in Need, a Child Looked After or having ceased care – compared to a White British child – and why some from other ethnic backgrounds are less likely to. As discussed in point 12.2.17 of the Fair Funding Review 2.0, it is possible that these differences are due to systemic racial biases in the social care system and including ethnicity in this model therefore risks reinforcing racial bias and not distributing funding based on real levels of underlying need.

12.5.6. The majority of those who disagreed that ethnicity should be removed as a variable report that there is an association between ethnicity and demand for children’s social care services; with some being concerned that removing ethnicity could lead to reduced needs shares in areas with a high population of children from certain ethnic minorities. However, when considering whether to include ethnicity as a variable, our analysis found that including ethnicity might reduce need shares in some more diverse areas, suggesting there could be under identification of need within certain ethnic minority communities. This suggests there could be under identification of need within certain ethnic minority communities.²

12.5.7. The impact of including or removing ethnicity on funding allocations is small, particularly when compared to other variables, such as deprivation measures. The government remains committed to understanding the complex relationship between ethnicity and children’s services and, as with all variables and data in the model, we are committed to testing new data when they become available.

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

12.6.1. The Fair Funding Review 2.0 asked for views on whether the new children’s formula represents an accurate assessment of need for children and family services.

12.6.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	69 (16%)
Respondents who disagreed with the proposal	105 (24%)

² For example, LG Futures – the organisation that worked with academics to devise the formula – found during model development that a child of Indian ethnicity is about 40% less likely to be a Child in Need than a White British child. See the [Children and Young People’s Services Formula Review: Final Evaluation Report 2025](#) for more information.

Respondents neither agreeing nor disagreeing with the proposal	77 (18%)
Respondents who had no view or did not answer this question	189 (43%)
Respondents who provided a substantive response	196

12.6.3. Two hundred and sixty-six respondents (60%) neither agreed or disagreed or had no view on the question. Sixty-nine respondents (16%) agreed while one hundred and five (24%) disagreed.

12.6.4. One hundred and ninety-six respondents left substantive comments, which are summarised in the following paragraph.

12.6.5. Eighty-two respondents (42%) called for greater transparency and clearer communication to better explain how the formula works and support further testing. Seventy-eight (40%) respondents recommended changes to the underpinning datasets used in the children's formula, suggesting the inclusion of new variables and the removal of some existing variables. Twenty respondents (10%) raised concerns that the formula is too complex, while eighteen respondents (9%) provided positive feedback on the formula methodology, welcoming the use of individual level data and multi-level modelling.

12.6.6. **Government response:** The existing formula used to distribute the children's services element of local government funding, last updated in 2013-14, is long outdated and no longer accurately reflects levels of need across the country. The government must therefore use a new, up-to-date approach to assessing relative need.

12.6.7. The government is confident that the overarching principles and core analytical techniques used in the children's formula are robust and supported academically, including by the [independent peer review of the formula](#), published earlier this year. While many consultation respondents disagreed with some of the specific data variables used, during the Department for Education's engagement with stakeholders most confirmed they were supportive of the overarching principles of the formula. The government therefore believes that the formula offers the most accurate, up-to-date and reliable means of assessing councils' relative need for services. **On this basis, the government plans to implement a modified version of the proposed children's formula to assess need for children and family services**, which will ensure our funding distribution best reflects national variation in demand for children's social care services.

12.6.8. Many respondents raised concerns about some of the variables used in the formula, and called for greater transparency on how it functions. **Having carefully considered the responses to the consultation, the Department for Education will make changes to improve the model's accuracy. Please see the [Annex on the formula](#) which details how the model works and the changes the Department for Education will make in response to the points raised.**

12.6.9. One of the most common concerns about the design of the children's formula was that housing costs were not included in its measures of deprivation. In line with our commitment to using the most up-to-date data, **the Department for Education will incorporate the updated 2025 Income Deprivation Affecting Children Index data into the formula, which reflects housing costs.** This will ensure that relative need shares reflect the impact of high housing costs on families in certain areas.

12.6.10. More detail on the government's response to this question can be found at the [Annex on the formula](#).

12.7. Questions 41-42 focused on the Foundation 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?

12.7.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to how daytime population should be weighted in the Foundation Formula, to reflect the relative impact of daytime population on demand for services.

12.7.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	227 (52%)
Respondents who disagreed with the proposal	38 (9%)
Respondents neither agreeing nor disagreeing with the proposal	42 (10%)
Respondents who had no view or did not answer this question	133 (30%)
Respondents who provided a substantive response	244

12.7.3. Two hundred and forty-four respondents left substantive comments, which are summarised in the following paragraphs.

12.7.4. Many respondents used this question to state their view on whether daytime inflow (commuters and tourists) should be included in the Foundation Formula, as well as whether they should be weighted relative to resident population.

12.7.5. Two hundred and three (83%) respondents supported accounting for commuters and tourists in the Foundation Formula, with one hundred and seventy-eight (73%) giving support for weighting these groups differently to residents to reflect differences in their demand for public services.

12.7.6. Some respondents also expressed views on what the components of daytime inflow should be:

12.7.7. Eighteen (7%) respondents stated they believe daytime inflow should account for international visitors and not just domestic ones.

12.7.8. Twelve (5%) respondents stated that people commuting out of an authority should be accounted for and recommended switching from gross in-commuters to net in-commuters. Conversely, two (1%) respondents argued that commuting outflow would not substantially reduce the costs faced by local authority and that accounting for outflow would underestimate need. Additionally, eight (3%) respondents were explicitly concerned that commuting patterns derived from the Census 2021 would not be accurate and disadvantage urban areas.

12.7.9. Fifty (20%) responses stated that they could not make an informed comment without more information being provided on how the weights will be calculated, while twenty-four (10%) called for greater scrutiny of data used to calculate daytime population.

12.7.10. **Government response:** The government notes the strong support for including different types of population in the Foundation Formula, but notes that many responses suggested giving them different weightings. The government will continue to account for the impact of daytime population on services. Having heard clearly from respondents that residents should have a greater weighting than daytime visitors, we have adjusted the formula so that commuters and tourists will be given a lower weighting than residents. This adjustment has been made on the basis that daytime populations are assumed to create less demand for services than residential populations. This change has been reflected in the updated needs calculator, and we will set out the weighting in more detail as part of the provisional Settlement.

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

12.8.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to the design of the Foundation Formula.

12.8.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	100 (23%)
Respondents who disagreed with the proposal	69 (16%)
Respondents neither agreeing nor disagreeing with the proposal	93 (21%)
Respondents who had no view or did not answer this question	127 (29%)
Respondents who provided a substantive response	252

12.8.3. Two hundred and fifty-two respondents left substantive comments, which are summarised in the following paragraphs.

12.8.4. Thirty-seven (15%) respondents expressed concern about the accuracy of using a single formula for multiple services and thirteen (5%) identified services for which they felt bespoke formulas would be more appropriate.

- 12.8.5. There were significantly more respondents who supported the inclusion of deprivation in the formula than opposed it, ninety-two (37%) compared to nineteen (7%). However, some of those who supported the principle of its inclusion proposed that it had been too heavily weighted. Fifty-five (22%) respondents argued its weighting should be reduced. These respondents often cited evidence published as part of the government's 2018 Review of Local Authorities' Relative Needs and Resources.
- 12.8.6. Conversely, twenty-seven (11%) respondents proposed the weighting of deprivation should be increased.
- 12.8.7. Forty-two (17%) of respondents expressed concern that the Indices of Multiple Deprivation (IMD) data used in the formula do not contain housing costs.
- 12.8.8. Twenty-nine (12%) respondents noted they considered IMD insufficiently granular and that it failed to account for pockets of deprivation or the challenges of accessing services in rural areas.
- 12.8.9. Respondents also provided views about the use of population data in the formula.
- Thirty-seven (15%) respondents supported adding weights to non-residential population.
 - Eighteen (7%) and thirty-one (12%) respondents expressed concern, respectively, about the reliability of using 2021 census data to measure commuter demand and about the formula's lack of a measure of population density.
- 12.8.10. Thirteen (5%) respondents proposed the formula's terminology be changed from 'upper' and 'lower' tier formulas to 'formula 1' and 'formula 2' in recognition of the government's plans for local government reorganisation.
- 12.8.11. Forty-seven (19%) respondents stated they required more information about how the formula has been calculated.
- 12.8.12. **Government response:** To be consistent with the principle of simplicity, it's right that we use fewer formulas in the needs assessment and include individual formulas for non-social care services on a limited basis. The government recognises the inherent challenges to using a single formula to assess demand for most non-social care services and notes the mixed views about the approach to its design.
- 12.8.13. The Foundation Formula will continue to assess need based on a local authority's population (daytime and residential) and deprivation. Both cost drivers have a significant statistical relationship with local authority spending and using them is consistent with the principle of robustness. However, having heard clearly from respondents that residents should have a greater weighting than daytime visitors, we have adjusted the formula so that commuters and tourists will be given a lower weighting than residents. More detail is at paragraph 12.7.10.

12.8.14. The government notes that more respondents were in favour, at least in principle, than opposed to the inclusion of deprivation in the formula. The weighting of deprivation within the formula has been statistically derived and is not a matter of judgement. We consider this to be consistent with the principle of robust evidence. While some respondents cited evidence from the 2018 Review of Local Authorities' Relative Needs and Resources, there is a key difference between the two consultations. In the Review of Local Authorities' Relative Needs and Resources, deprivation was tested as a cost driver of authority non-social-care expenditure, while in the Fair Funding Review 2.0 deprivation was tested as a needs driver of spending-per-capita. As such, figures showing the explanatory power of Foundation Formula models in the two consultation documents are not comparable. Moreover, the government considers the Indices of Deprivation, which provide data at the Lower Super Output Area level, capturing approximately 400 to 1,200 households, to be sufficiently granular.

12.8.15. **As set out in the [Fair Funding Review 2.0 section 12.3](#), we will incorporate the [2025 English Indices of Deprivation](#).** The government recognises the concerns raised about the lack of housing costs in the previous deprivation data used in our proposed assessment of need. The 2025 English Indices of Deprivation will reflect income after housing costs. The government also notes concerns about Covid-19's impact on 2021 commuter data. In our view, the alternative approach of using 2011 commuter data would not be consistent with our principles of either robustness or of using the best available evidence.

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

12.9.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to the Fire and Rescue Relative Needs Formula. The proposal included retaining the existing, bespoke formula for fire and updating the data within it.

12.9.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	25 (6%)
Respondents who disagreed with the proposal	39 (9%)
Respondents neither agreeing nor disagreeing with the proposal	63 (14%)
Respondents who had no view or did not answer this question	313 (71%)
Respondents who provided a substantive response	91

12.9.3. Ninety-one respondents left substantive comments, which are summarised in the following paragraphs.

- 12.9.4. Twenty-nine responses (32%) referred to the importance of stability for the local government sector, suggesting changing both control totals and relative needs shares simultaneously would cause instability to a degree the sector would struggle to manage.
- 12.9.5. Fifty-three responses (59%) suggested amendments to or reweighting of existing formula top-ups or addition of new top-ups to account for emerging or increasing risks and pressures.
- 12.9.6. Twenty-four (26%) respondents suggested funding should be allocated to fire services based on risk of incidents, rather than solely based on demand as is the case when expenditure is used to establish weightings
- 12.9.7. Thirty-four (37%) respondents supported a full review of the formula, encompassing reconsideration of the use of expenditure as a measure of demand, reassessment of included top-ups and new modelling work to establish weightings, should be conducted in the longer term.
- 12.9.8. **Government response: The government will retain the existing bespoke formula for fire and update the data used within it.** The government agrees that it is important to provide stability by retaining the design of the existing Fire & Rescue relative needs formula, while also using the latest available data, to ensure allocations are accurate and reflect local need. To align with the approach we are taking with other formulas within the wider system, we are also proposing to include population projections within the formula. This will help target funding to areas with increasing demand across the multi-year Settlement, keeping the system up to date and reducing variations in funding at the point of reset.
- 12.9.9. As outlined in paragraph 9.4.13, the government will provide a real terms funding floor to all standalone fire and rescue authorities across the multi-year Settlement. Standalone fire and rescue authorities have a unique place within the funding structures of the Local Government Finance Settlement. We assess their relative need for one service area only, which means that their funding position is more sensitive to wider changes to the needs assessment, and that they have fewer flexibilities to manage budgetary pressures available to them.
- 12.9.10. In the medium term, the government is committed to working with the Fire sector on a comprehensive review of the formula – including methodology, drivers and data – which can be used when the system is next updated.

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

- 12.10.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to the design of the Highways Maintenance Formula.
- 12.10.2. We received the following overall responses to this question:

Respondents who agreed with the proposal

82 (19%)

Respondents who disagreed with the proposal	104 (24%)
Respondents neither agreeing nor disagreeing with the proposal	50 (11%)
Respondents who had no view or did not answer this question	204 (47%)
Respondents who provided a substantive response	203

12.10.3. Two hundred and three left substantive comments, which are summarised in the following paragraphs.

12.10.4. Views about the design of the formula often divided according to whether respondents considered the formula satisfactorily addressed the specific pressures on rural or urban road infrastructure:

12.10.5. Thirty-three (16%) respondents objected to the removal of weather data and the corresponding winter maintenance top-up. Eight (4%) respondents suggested that environmental factors such as the impact of flooding should be considered.

12.10.6. Twenty-four (12%) respondents were more likely to propose that traffic volume should be given a higher weighting in the formula. Fifty-seven (28%) respondents disagreed with the removal of the urban road weighting.

12.10.7. Respondents also offered proposals about how the formula could be adapted to recognise other factors:

12.10.8. Thirty-six (18%) respondents commented that road condition should be taken into consideration by the formula.

12.10.9. Nineteen (9%) respondents commented that the type of vehicle should be considered, to recognise the bigger impact of heavier vehicles.

12.10.10. Eight (4%) respondents proposed the formula should also account for active travel for example, pathways.

12.10.11. **Government response:** The government proposes to implement the Highways Maintenance formula as consulted on and to include the latest traffic flow data in its need indicator. This formula follows the design of the highways maintenance formula proposed in the 2018 Review of Local Authorities' Relative Needs and Resources. This uses the most up to date and granular data available, and the weighting of components has been statistically calculated. We would like to clarify the comparison made in the Fair Funding Review 2.0, which identified the formula as substantially similar to the 2013-14 formula. The intended comparison was to the formula proposed in the 2018 the Review of Local Authorities' Relative Needs and Resources

12.10.12. Some respondents raised concerns about the removal of weather data from the 2013-14 formula, which functioned as a seasonal top-up for local authorities that experience significant snow conditions. The 2018 formula removed it because it 'on average accounts for a small proportion of local authorities' total expenditure'.

12.10.13. The proposed formula also differs from the 2013-14 formula by removing the 'daytime population per km of road length' variable. This variable, which aims to capture the level of footfall in an authority, was previously found in 2018 to not improve the precision of the formula.

12.10.14. The government has re-tested these drivers of need and has not found them sufficiently robust in explaining differences in between local authorities' relative need for highways maintenance. Therefore the government does not propose to change the formula's design.

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

12.11.1. The Fair Funding Review 2.0 sought views on the government's proposed approach to calculating relative need shares for home-to-school travel.

12.11.2. We received the following overall responses to this question:

Respondents who agreed with the proposal	67 (15%)
Respondents who disagreed with the proposal	110 (25%)
Respondents neither agreeing nor disagreeing with the proposal	54 (12%)
Respondents who had no view or did not answer this question	209 (48%)
Respondents who provided a substantive response	195

12.11.3. One hundred and seventy-seven respondents either agreed or disagreed with this question. Of these one hundred and seventy-seven, sixty seven (38%) agreed with the proposal

12.11.4. One hundred and ninety-five respondents left substantive comments, which are summarised in the following paragraphs

12.11.5. One hundred and eight (55%) either said explicitly that they agreed with, welcomed or supported the inclusion of a bespoke Home-to-School-Transport Formula or said that they neither agreed nor disagreed with it.

12.11.6. The main element of the formula on which respondents suggested change was the distance cap, with eighty-three substantive responses (43%) – the most responses on any home-to-school-transport theme raised. There were concerns that the 20-mile cap would disadvantage rural areas, where journeys for children with special educational needs and disabilities (SEND) can sometimes be longer, in order to transport them to the nearest suitable school that can meet their needs.

12.11.7. A minority of respondents also raised other themes for our consideration:

- Forty-three responses (22%) felt that the formula should also account for deprivation, suggesting that local authorities with higher levels of deprivation face higher demand for home-to-school-transport.

- Thirty-nine respondents (20%) felt that the formula does not take into account the complexities of delivering home-to-school-transport in urban areas and should factor in traffic volumes.
- Eleven responses (6%) argued that the formula does not adequately take into account the difficulties faced by rural areas, for example due to more limited public transport infrastructure.
- Twenty respondents (10%) said that the formula does not fully account for the pressures the SEND system is putting onto home-to-school-transport costs.
- Twenty respondents (10%) raised concerns with using a proxy for SEND need rather than Education, Health and Care Plan numbers.

12.11.8.**Government response:** We have listened to the concerns raised. We know home-to-school-transport is a service that is under significant pressure and costs have escalated in recent years. These pressures are largely symptomatic of challenges in the wider SEND system. The government has committed to improving inclusivity and expertise in mainstream schools, meaning fewer children will need to travel long distances to a school that can meet their needs. The Spending Review announcement in June confirmed significant new funding to support SEND reform. We are continuing to engage closely with children, parents and experts as we develop plans to ensure all children get the outcomes and life chances they deserve.

12.11.9.Having considered the feedback on the design of the Home-to-School-Transport formula, **the government will set the distance cap at 50-miles, rather than the 20-miles originally proposed.** This change reflects what respondents told us – that in some cases it is currently necessary, ahead of reform of the SEND system, to place children in provision that is further from a child’s home. Setting the cap at 50-miles will serve the purpose of removing errors from the data or distances that are unlikely to be travelled every day (e.g. to boarding schools) but will see only 0.4% of pupils’ journey distances capped.

12.11.10.We do not presently hold sufficient evidence or data to suggest whether it is right to refine the formula to account for deprivation or the specific challenges faced by certain urban and rural areas, other than how these are currently reflected in the formula. The formula accounts for the distances that pupils travel and the area cost adjustment accounts for differences in journey times in each local authority. We will however consider whether the formula can and should be refined further when it is next reviewed.

12.11.11.With respect to how the formula accounts for pressures from the SEND system, the formula applies a SEND weighting to account for the additional costs involved in arranging travel for pupils with SEND (e.g. passenger assistants, specialist equipment, smaller vehicles etc.). Also, it is an established part of the funding system for schools and high needs provision that funding allocations are not based directly on data relating to Education, Health and Care Plan numbers. The formula uses the total compulsory school age pupil population as a proxy for SEND, which aligns with the Department for Education’s established approach to calculating funding for SEND provision. We are therefore not proposing changes to how SEND need is estimated, beyond the change to the distance cap.

13. Chapter 13. Equalities Impacts

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

13.1.1. Public bodies have a duty under the Equality Act 2010 to consider the needs of people who share particular protected characteristics. The three objectives under the Public Sector Equality Duty (PSED) are to:

- i) Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- ii) Advance equality of opportunity between people who share a particular protected characteristic and people who do not share it;
- iii) Foster good relations between people who share a particular protected characteristic and people who do not share it.

13.1.2. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Civil partnership
- Pregnancy and maternity
- Race
- Religion and belief
- Sex
- Sexual orientation

13.1.3. The government must consider the possible disproportionate impacts on people sharing protected characteristics and possible mitigations when making policy and spending decisions. Therefore, when making decisions on local government funding, the government must have due regard to the PSED objectives outlined above.

13.1.4. We can anticipate to some extent how local authorities might respond to changes in funding and the impact this may have on service users. However, local authorities ultimately decide how their resources are allocated. It is not possible to say definitively how changes in funding will affect local authorities' spending decisions and will impact on people sharing particular protected characteristics.

13.1.5. There are significant differences in the demographic makeup of local authorities across England. Consequently, changes to the distribution that move funding between local authorities may have equalities impacts for certain groups that are more likely to rely on local authority services. Changes to funding could lead to an improvement or decline in quality and quantity of these services and outcomes.

13.1.6. [Chapter thirteen of the Fair Funding Review 2.0](#) sought views on the potential impacts of the government's proposed approach on individuals with protected characteristics.

13.1.7. This was an open question and did not ask respondents specifically to agree or disagree.

Respondents who provided a substantive response	224
Respondents who had no view or did not answer this question	216

13.1.8. Two hundred and twenty-four respondents left substantive comments, which are summarised in the following paragraphs.

13.1.9. Responses generally did not outline specifically what the adverse or positive equalities impacts would be. Rather, responses raised the general concern that decisions may be taken without fully considering their effects on groups with protected characteristics.

13.1.10. Ninety-nine respondents (45%) noted that there would be potential adverse impacts. Thirty-eight (17%) specifically referenced race, twenty-eight (13%) referred to adverse impacts in relation to age, and twenty-seven (12%) referred to adverse impacts in relation to disability.

13.1.11. Forty-seven respondents (21%) highlighted the need to consider wider factors such as vulnerability and deprivation as part of equalities assessments.

13.1.12. **Government response:** The government has considered the issues raised in response to the consultation. The government believes that, by more accurately accounting for factors such as deprivation, authorities' differing ability to raise revenue locally, and by using up-to-date data, we will target money where it is needed most. On balance, this will have positive impacts, particularly for those in protected groups who rely on certain council services. The government has proposed a range of transitional measures to protect service provision in areas where assessed available funding would decrease in the absence of these measures. By providing protections for services provided in these areas, these transitional measures will mitigate any adverse impacts. The government will continue to have due regard to any relevant equalities considerations in relation to the Settlement.

13.1.13. Decisions on how funding is spent are ultimately made by local authorities. It is not possible to say for certain how changes in the distribution of funding will affect specific groups of persons sharing a protected characteristic. In making these decisions, councils will also need to have regard to the Public Sector Equality Duty.