

Explanatory note on transition arrangements

1. This document explains each of the funding floors that form part of the transitional arrangements. Phasing in of reform is explained in the [Consultation Document](#) and [Fair Funding Allocation Calculator](#).

INCOME PROTECTION

Eligibility for Income Protection Floor

2. Eligibility for 100% income protection is determined as:
 - Any Shire District with a protection metric of less than or equal to 15%
 - Any single or upper tier local authority with a protection metric of less than or equal to 15% or council tax levels equal to or above the average.
3. Eligibility for 95% income protection is determined as:
 - Any Shire District with a protection metric of greater than 15%
 - Any single or upper tier local authority with a protection metric of greater than 15% and lower than average council tax levels.
4. For the purposes of determining eligibility for income protection, upper tier and single tier authorities shall include Shire Counties, Metropolitan Districts, Unitary Authorities and London Boroughs.
5. Eligibility for different income protection is calculated by comparing local authorities' pre-reform and post-reform income. The protection metric shall be determined by comparing an authority's 2025-26 income to their 2025-26 income had the Fair Funding Share applied:

$$\text{Protection metric} = \frac{(\text{Income}_{2025-26}^{\text{pre-reform}} - \text{Income}_{2025-26}^{\text{post-reform}})}{\text{Income}_{2025-26}^{\text{pre-reform}}}$$

6. Local authority level figures for these two income measures can be found in the [Fair Funding Allocation Calculator](#).
7. Fire and Rescue Authorities and Combined Authorities with responsibility for fire services are excluded from both the Income Protection Floors. The Real Terms Fire Floor is explained later in this document.
8. The West of England Combined Authority have benefitted from the business rates retention system but do not provide services which are assessed as part of the Fair Funding Assessment. The Department will engage them regarding bespoke transitional arrangements.
9. The City of London is an extreme outlier in its Core Spending Power per person and the extent to which its pre-reform income is assessed as above its post-reform income. While the City qualifies for 95% income protection in 2026-27, the Department will engage the City regarding the design of bespoke arrangements from 2027-28.

Definition of income in 2025-26 for the purposes of Income Protection Floor

10. Income protection uses income from 2025-26 as the comparator. That income is defined as the sum of the following for each council:
- Revenue Support Grant
 - Business rates income as given in the 2025-26 [Business Rates Retention Income Baseline calculator](#)
 - Council tax requirement, excluding parish precepts as published in the [2025 Council Tax Levels statistics](#), rather than the estimates published in Core Spending Power at the 2025-26 Local Government Finance Settlement
 - Local Authority Better Care Grant
 - New Homes Bonus
 - Social Care Grant
 - Market Sustainability and Improvement Fund
 - Recovery Grant
 - Employer National Insurance Contributions Grant
 - Funding Floor
 - Grants rolled in
11. Unless otherwise specified, this information can be found in the [Core Spending Power figures](#) published alongside the 2025-26 Local Government Finance Settlement.

Definition of income in 2026-27 to 2028-28 for the purposes of Income Protection Floor

12. The in-year income used to compare against the 2025-26 starting point for the purposes of transition funding is defined as the sum of the following for each council for the relevant year:
- Revenue Support Grant
 - Baseline Funding Level
 - Council tax requirement
 - Local Authority Better Care Grant
 - Recovery Grant
13. This data is published in the Core Spending Power table published alongside the 2026-27 Local Government Finance Settlement.

Calculation of 100% Income Protection Floor¹

14. Any eligible authority whose income in 2026-27, 2027-28 and 2028-29 is lower than their income in 2025-26 will receive an amount equal to the difference between that year's income and their 2025-26 income:

$$100\% \text{ income protection}_{2026-27} = \text{income}_{2025-26} - \text{income}_{2026-27}$$

¹ Any authority which is eligible for the 100% Income Protection Floor will receive a further transition payment to ensure that their Core Spending Power is at least as high as their 2025-26 CSP in each year of the multi-year settlement. Any authority which is eligible for the 95% Income Protection Floor will receive a further transition payment to ensure that their Core Spending Power is at least 95% of their 2025-26 CSP in each year of the multi-year settlement.

$$100\% \text{ income protection}_{2027-28} = \text{income}_{2025-26} - \text{income}_{2027-28}$$

$$100\% \text{ income protection}_{2028-29} = \text{income}_{2025-26} - \text{income}_{2028-29}$$

Calculation of 95% Income Protection Floor¹

15. Any eligible authority whose income in 2026-27, 2027-28 and 2028-29 is lower than 95% of their income in 2025-26 will receive an amount equal to the difference between that year's income and 95% of their 2025-26 income:

$$95\% \text{ income protection}_{2026-27} = \text{income}_{2025-26} * 0.95 - \text{income}_{2026-27}$$

$$95\% \text{ income protection}_{2027-28} = \text{income}_{2025-26} * 0.95 - \text{income}_{2027-28}$$

$$95\% \text{ income protection}_{2028-29} = \text{income}_{2025-26} * 0.95 - \text{income}_{2028-29}$$

16. The eligible authorities are: City of London, Hammersmith and Fulham, Kensington and Chelsea, Wandsworth, Westminster and Windsor and Maidenhead.

REAL TERMS FLOOR FOR FIRE AND RESCUE AUTHORITIES

Eligibility for real terms floor for fire and rescue authorities

17. All fire and rescue authorities are eligible for the real terms floor.

Income definition for real terms floor for fire and rescue authorities

18. The income definition for the real terms floor is the same as for the 95% and 100% income protection. The definition will exclude Mayoral Capacity Funding.

Calculation of real terms floor for fire and rescue authorities

19. The real terms floor guarantees that no eligible authority will see a real terms decrease in income compared to 2025-26:

$$\text{Real terms FRA floor}_{2026-27} = \text{income}_{2025-26} * \frac{\text{GDP deflator}_{2026-27}}{\text{GDP deflator}_{2025-26}} - \text{income}_{2026-27}$$

$$\text{Real terms FRA floor}_{2027-28} = \text{income}_{2025-26} * \frac{\text{GDP deflator}_{2027-28}}{\text{GDP deflator}_{2025-26}} - \text{income}_{2027-28}$$

$$\text{Real terms FRA floor}_{2028-29} = \text{income}_{2025-26} * \frac{\text{GDP deflator}_{2028-29}}{\text{GDP deflator}_{2025-26}} - \text{income}_{2028-29}$$

RECOVERY GRANT FUNDING GUARANTEE

Eligibility for Recovery Grant Funding Guarantee

20. Single tier and upper tier authorities in receipt of Recovery Grant in 2025-26 will be eligible for the Recovery Grant Funding Guarantee. Shire Districts in receipt of Recovery Grant in 2025-26 will not be eligible for the Recovery Grant Funding Guarantee.

Income definition for Recovery Grant Funding Guarantee

21. Income for the purposes of the Recovery Grant Funding Guarantee will be the same as for the 100% and 95% income protection with the addition of:
22. For 2025-26:
 - Children's Social Care Prevention Grant
 - Domestic Abuse Safe Accommodation Grant
23. For 2026-27 to 2028-29:
 - 100% income protection
 - 95% income protection
 - Homelessness, Rough Sleeping and Domestic Abuse Grant
 - Families First Partnership funding (within the Children, Families and Youth Grant)

Calculation of Recovery Grant Funding Guarantee

24. The Recovery Grant Funding Guarantee will guarantee that all eligible authorities will see at least a 5% increase in their income in 2026-27 compared to 2025-26. In 2027-28 and 2028-29 they will receive at least 6% and 7% more respectively than in 2025-26:

$$\text{Recovery Grant Funding Guarantee}_{2026-27} = \text{income}_{2025-26}^{RG} * 1.05 - \text{income}_{2026-27}^{RG}$$

$$\text{Recovery Grant Funding Guarantee}_{2027-28} = \text{income}_{2025-26}^{RG} * 1.06 - \text{income}_{2027-28}^{RG}$$

$$\text{Recovery Grant Funding Guarantee}_{2028-29} = \text{income}_{2025-26}^{RG} * 1.07 - \text{income}_{2028-29}^{RG}$$

25. Each authority's total Recovery Grant Funding Guarantee over the years 2026-27 to 2028-29 will be capped at £35m. Where the cap applies to an authority their Recovery Grant Guarantee shall be £11,666,667 in each of the years 2026-27, 2027-28 and 2028-29.