

# Local Government Association Response

## Questions in the consultation

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

In our [response to the 2020/21 local government finance settlement \(LGFS\)](#) we said that the Government needed to ensure that the implementation of further business rates retention and the Fair Funding Review (FFR) consider whether negative allocations could be an outcome and, if so, how they would be dealt with. This position remains relevant to FFR 2.0. As stated in the introduction to this response and in answer to question 23, we express strong support for the need for transitional support for councils facing cuts.

### **Question 2. Do you agree with how the government proposes to determine the Council of the Isles of Scilly's Settlement Funding Assessment? Please provide any additional information, including any explanation or evidence for your response.**

The LGA is aware that the particular challenges of the Isles of Scilly has led to an approach to funding the Isles of Scilly outside the main funding formula. We do not have an alternative to propose.

### **Question 3. Do you agree with the government's plans to simplify the grant landscape? Please provide any additional information, including any explanation or evidence for your response.**

In our [reply to the December 2024 consultation](#), we said that local government should be funded through general rather than ring-fenced grant funding, that there should be a reduction in the fragmentation of Government funding and that there should be an end to the use of competitive bidding to allocate grant funding. The current proposals would appear to be along these lines. It is important, for the sake of transparency, that when funding is transferred into the LGFS, the Government constructs a fully adjusted baseline so that any changes can be seen on a like-for-like basis.

We welcome that the Government is seeking to: reduce burdensome reporting requirements; consolidate grants with others where they have similar objectives; and end wasteful competitive bidding processes for local government grants. We also note the proposal that, in cases where the Government considers competitive bids remain the most effective form of distribution, updates to the New Burdens Doctrine will ensure that the costs incurred by local authorities in preparing bids are funded as new burdens.

We also await clarification on which other existing grants will be rolled into the LGFS or included in the new grant streams. In relation to the four consolidated grants to be brought into the LGFS:

- We welcome the Government's strengthened emphasis on prevention and long-term resilience in the new Crisis and Resilience Grant (CRG). However,

we will need to work collaboratively to design guidance and outcomes-monitoring that retains that emphasis. We also note that the new CRG is a reduction on the previously available funding, while need continues to rise.

- On the Children, Families and Youth Grant, we would not want to see the consolidation leading to a reduction of funding. This is particularly important given the numerous changes and reforms underway in children's social care, local government reorganisation, and the Government's ambitions to make improvements in terms of outcomes for children and young people as set out in the 10-year health plan.
- On the Homelessness and Rough Sleeping Grant (HRSG), the [LGA's response to the Homelessness Prevention Grant \(HPG\) consultation](#) broadly welcomed the approach of multi-year settlements, particularly for flexible use of funding in prevention and rough sleeping. However, there are some risks in the proposals particularly relating to temporary accommodation (TA). In our response to the HPG consultation we identified a number of issues with the introduction of a ringfence within the grant for 2025/26 in the context of a growing TA subsidy gap. The proposal in the FFR consultation to split the HPG between the Revenue Support Grant and the HRSG risks exacerbating those issues.
- On the Public Health Grant (PHG), we welcome the fact that PHG has been brought into the LGFS. We have called for this for some time. The grant underpins statutory responsibilities and mandated functions and supports a wide range of preventative services that are often under pressure from competing priorities. However, we note that the Spending Review 2025 made no new commitment to ensure that public health funding keeps pace with rising demand and inflationary pressures. The LGA has highlighted significant cuts to the public health grant, with real-terms reductions of £858 million between 2015 and 2024.

**Question 4. Do you agree with the formulae for individual services the government proposes to include? Please provide any additional information, including any explanation or evidence for your response.**

In our response to the December 2024 consultation, we agreed that adult social care, children's services, fire and rescue and highway maintenance should have bespoke formulas. We also recognised that there was a case for a bespoke formula for temporary accommodation given the increasing costs of homelessness services with multiple contributory cost and demand drivers. We also noted that some councils would make the case for home to school transport to have a separate block, given the particular pressures in this area. We are glad to see that the Government proposes separate formulas for all these services, although this does not necessarily mean that the LGA endorses the specific formulae proposed as different member councils will have different views on these. More detailed comments are contained in our replies to questions 35 to 45 below.

**Question 5. Do you agree with the areas of need the government proposes to no longer include in the assessment through the Foundation Formula? Please provide any additional information, including any explanation or evidence for your response.**

We note that the Government proposes to no longer include blocks for concessionary fares, flood defence, coastal protection, Environment Agency (EA) levies, fixed costs and legacy capital financing.

In our [reply to the December consultation on Local Authority Funding Reform](#) we said that a number of member councils would press the case for bespoke formula for services such as concessionary travel, flood defence and coastal protection to help them meet their pressures in these areas. On flood defence they would point to the costs of preventing floods. The Government should be guided by the evidence and should engage with councils affected by the cost pressures on these services as part of arriving at its decision.

We further note that the Government says that its wider assessment aims to capture relative need, including both fixed and variable cost differences through the design of each formula. We are aware that some councils, particularly smaller councils, may press the case for a fixed costs element.

As regards legacy capital financing, we note that the consultation document says most of the debt goes back to 1990 and before, none relates to after 2011, and that the capital financing system introduced in 2013/14 will not be affected by the decision not to have a bespoke capital financing block. However, councils which still have legacy capital financing commitments will argue that there is still a need for a bespoke capital financing RNF.

**Question 6. Do you agree with the government's approach to calculating the control total shares for the relative needs formulae? Please provide any additional information, including any explanation or evidence for your response.**

We note that the Government proposes calculating control total shares for each formula based on their relative proportion of the total national net current expenditure, using data from the latest year available. It is proposed this calculation would be made by mapping the spend lines which correspond to each formula's service areas and aggregating their spend. LGA policy is that the formulas and the underlying data used for the assessment of relative needs should be updated.

**Question 7. Do you agree with the Labour Cost Adjustment (LCA) and Rates Cost Adjustment (RCA) equations set out in this chapter? Please provide any additional information, including any explanation or evidence for your response.**

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

As we said in our reply to the December 2024 consultation, we agree with the use of area cost adjustments to account for cost differences in both urban and rural areas.

We had previously ([in our 2019 response](#)) supported an evidence-based approach and said that the principle of considering journey times as an area cost factor reflecting sparsity and density in the revised assessment was sound.

We note that the Government's approach to the LCA and the RCA includes changes from when the assessment was last updated in 2013. These include new adjustments to account for the potential impact of travel times on labour costs, and to control for the impact of high-value business districts on property costs.

Different member authorities will have different views on the construction of the new ACA, including the production of individual rather than area ACAs and the weights given to the different components.

**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?**

Councils will have different views on this.

We note that the consultation states that in theory, due to lower economies of scale, the cost of service provision for local authorities may be higher in smaller and sparser markets. We do not have any evidence to either support or contradict this theory.

**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? Please provide any additional information, including any explanation or evidence for your response.**

We support the use of notional rather than actual council tax levels, in order to ensure that local authorities are not impacted as a result of historic decisions.

Different authorities will have different views on the weighting given to assumed council tax income within the formula.

**Question 11. Do you agree with the government's proposal to fully include the impact of mandatory discounts and exemptions in the measure of tax base? Please provide any additional information, including any explanation or evidence for your response.**

We agree that the Government should take account of non-discretionary council tax discounts and exemptions, including that due to the pensioner element of council tax support.

**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 tax base? Please provide any additional information, including any explanation or evidence for your response.**

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

In our [2019 response](#) we said that it was important that local council tax support schemes for working age people should be adequately reflected and that the Government should use a formula-based approach to estimate the likely demand for local council tax support schemes for working-age households. As a result, the potential demand rather than actual policy decisions would be adjusted for, with individual councils covering the costs or retaining the savings from any deviation. It would appear that this is the objective of working age local council tax support adjustment.

**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 tax base? Please provide any additional information, including any explanation or evidence for your response.**

We have previously argued that the tax base calculations should not take account of discretionary discounts and exemptions or premiums, other than working age local council tax support. This proposal is in line with the principle that the financial costs and benefits of local decisions should be retained in full by councils.

**Question 15. Do you agree with the government's proposal to apply a uniform Council Tax collection rate assumption to all authorities? Please provide any additional information, including any explanation or evidence for your response.**

We agree that actual council tax collection rates should not be taken into account as this could inadvertently penalise councils with higher collection rates. However, we had previously [noted](#) that there is a very strong correlation between 2017/18 collection rates and the average score of the 2015 index of multiple deprivation and that the ability to collect council tax could be adjusted for using a formula approach instead of actual council tax collection rates.

**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? Please provide any additional information, including any explanation or evidence for your response.**

We note that the Government expresses a preference for average rather than actual tier splits. The use of average tier splits is in accordance with the principle of simplicity, but we are aware that different councils will have different views.

**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? Please provide any additional information, including any explanation or evidence for your response.**

The Government should introduce a transitional mechanism as part of any reset to ensure that local authority services that residents rely on are not put at risk. Councils may have different views on the level of the safety net.

**Question 18. Do you agree with the government's proposal to end the New Homes Bonus in the LGFS from 2026-27 and return the funding currently allocated to the Bonus to the core Settlement, distributed via the updated Settlement Funding Assessment? Please provide any additional information, including any explanation or evidence for your response.**

We have argued consistently that the New Homes Bonus (NHB) should be separately funded and not drawn from a top slice of Revenue Support Grant (RSG) or other grants, as drawing the NHB from a top slice of RSG means that those councils who are unable to deliver homes above the baseline threshold lose out on core funding distributed on the basis of need. We agree that any top-sliced funding for NHB should be returned to local government.

We had previously noted that the NHB makes up a significant part of some councils' budgets, particularly but not confined to shire districts, and that any changes to the methodology for the NHB should come with transitional funding to ensure that local authority services that residents rely on are not put at risk.

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

A key strength of the NHB is that it is simple to understand and easy to evidence. The core principle of any housing incentive scheme is that it should incentivise the increase of housing supply, including affordable and social housing, to match local need. Within such a scheme, we would be supportive of an affordable housing premium and the potential for incentivising energy efficient homes. However, we do not have specific proposals.

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

The LGA would point to the suggestions in recent LGA publications such as our [letter to the Chancellor of the Exchequer](#) and its annexes as part of our Spending Review 2025 submission.

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

Further discussion is needed to identify these flexibilities and to ensure they do not have unintended consequences including for key financial controls within the current framework.



**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.**

**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: (i) 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 (ii) the possible impacts on local authorities' financial sustainability and service provision.**

The Government needs to ensure that change does not put the sustainability of individual council's finances and services at risk. The consultation's proposals on transitional protection are key in this context. While the offer of a cash flat floor appears reasonable at first it does not protect councils from real terms cuts in their Core Spending Power (CSP). The consultation is also clear that not all councils will receive the cash floor, meaning they potentially face cash-terms cuts in CSP over the period. Given the scale of cost and demand pressures faced by the sector currently real terms cuts and cash terms cuts will be challenging for any council.

We recognise that reforming the allocation system will mean that some councils will do better than others. Nonetheless, the Government must take steps to protect councils from both cash terms and real terms cuts as a result of the proposals set out in this consultation. But this should not be accomplished by curbing the gains of those that benefit from the proposals. If additional funding outside the current envelope cannot be found, Government must provide additional flexibilities to support councils in this period. Further discussion is needed to identify these flexibilities and to ensure they do not have unintended consequences including for key financial controls within the current framework.

It is possible that some councils may not have reached their new funding assessment by the end of the spending review period. Rather than leaving these councils facing a cliff-edge the Government needs to set out at the earliest opportunity how it intends to address this issue. This will allow councils to plan accordingly.

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

In our responses to the previous Government's consultations, in [March 2018](#) and [February 2019](#), we supported the use of population projections in order to reflect changing population size and structure. We understand there is a balance to be struck between using up to date data and predictability. However, councils' ability to deliver the high quality, value for money services needed by their residents is dependent on both the sufficiency and the certainty of their funding. They need multi-year and timely finance settlements to allow councils to plan ahead and make

meaningful financial decisions that improve value for money and financial sustainability.

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

The LGA policy is that any data should not presuppose council tax increases, therefore we are not in favour of this.

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

We would note that the end of a specific housing incentive coupled with the use of projections for tax base and council tax will have a negative effect on authorities with high housing growth and call on the Government to consider the implications for these councils.

**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?**

We do not have any additional information to add.

**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? Please provide any additional information, including any explanation or evidence for your response.**

We note that the approach outlined has been adopted in unitarisations in recent years. We do not have any other comments.

**Question 29. Do you agree that, where areas are reorganising into multiple new unitary authorities, they should agree a proposal for the division of existing funding locally based on any guidance set out by central government? Please provide any supporting information, including any further information areas would find helpful in guidance.**

Guidance and worked examples would be helpful.

**Question 30. Do you agree that the government should work to reduce unnecessary or disproportionate burden created by statutory duties? If you agree, what specific areas of statutory duties impose significant burden without significant value for residents?**

We agree that the Government should work to reduce unnecessary or disproportionate burden created by statutory duties: reviewing the list of statutory duties will only partly address the issue. In the [Local Government White Paper](#) we said that there is a clear mismatch between the funding available to local government and what we are expected to deliver. We said that the funding envelope needs to meet statutory duties. This is a basic requirement for the sector to be able to function. There are some statutory services, such as waste, where councils would



welcome a more flexible approach to service delivery which could help with funding issues. Furthermore, many chief executives, during our consultation before the publication of the Local Government White Paper, said they consider many of the non-statutory services they provide, such as parks, as central to helping manage people's needs.

**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 criteria which would strengthen the above assessment framework, and any data which would be used to assess against additional criteria.**

We have called for the full localisation of sales, fees and charges, including road user charges and workplace parking levies. Councils should have flexibility to set planning fees at a local level so that they can cover their full costs relating to planning, in order to help to future-proof the sector, and ensure planning departments can continue to support the delivery of much-needed new homes, including affordable homes and infrastructure.

**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.**

Democratically elected local authorities, accountable to the electorate, are the best means of determining the right level for fees and charges.

**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 for 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.**

Please see the answer to question 32.

**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? Please provide any additional information, including any explanation or evidence for your response.**

As stated in the answer to question 32, we would like to see the localisation of sales, fees and charges.

**Question 35. Do you agree or disagree that these are the right Relative Needs Indicators for the Adult Social Care RNFs? 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.**

In our [2019 consultation response](#), the LGA called for the formula to cover the main emergent drivers of demand for adult social care in individual areas. However,

we have heard concerns that the formula includes data originally collected in 2012/13.

**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? Please provide any additional information, including any explanation or evidence for your response.**

We have called for the most up to date data to be used and are supportive of the use of population projections in order to reflect changing population size and structure.

**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? Please provide any additional information, including any explanation or evidence for your response.**

We note that the purpose of the Low Income Adjustment (LIA) is to account for contributions made by adult social care users to their care costs and that this has been applied to the Older Adults block only. However, we note that the formula used to calculate the LIA only explains a relatively low percentage of the differences in the proportion of spend on adult social care that local authorities fund from contributions from service users. We further note that if the LIA was removed from the older adults RNF component, the impact on final allocation shares would be small. We call on DHSC and MHCLG to continue work on an up to date formula which explains spending variation.

**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?**

We note that the latest expenditure data suggests that the weighting between older and younger adults be changed for 60:40 to 48:52. We note that this is in line with the most recent data and we do not have an alternative to suggest, although some councils, particularly those with large numbers of elderly residents, may consider that it does not reflect the spending pressures in their authority.

The weights used for older and younger adults are taken from NHS Digital's ASC-FR data set, but the overall weighting of the adult social care RNF is based on MHCLG's RO data. The consultation does not specify why the RO is not used in both instances. The consultation also does not explain why Better Care Fund spend on social care is included in the weights for older and younger adults when this funding is not within the scope of the consultation.

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

The LGA does not have policy on whether ethnicity should be included as a variable but have argued that the formulae should be based on evidence.

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

In our [2019 response](#), we welcomed an evidence-based approach, the use of multi-level modelling and lower area level data in constructing the children and young people's services formula. In our response to the December 2024 consultation, we said that it would appear that the approach builds on this work but it was important that the analysis, selection and weighting of factors are published, including how the new formula draws on work previously commissioned by MHCLG and DfE. The current consultation contains more analysis and different member councils will have different views as to how accurately it measures demand.

We would query how the formula will be updated, for example, given the changes to free school meals' eligibility. It is also not clear how successful the new formula will be in capturing the impact of spend on unaccompanied asylum-seeking children (UASC), given the gap between Home Office rates and the full cost of supporting UASC, especially UASC care leavers.

We also note that weights are given to the different metrics within the children and young people's services formula based on a three-year average covering the period 2021/22 to 2023/24. Consideration needs to be given to the fact that spend, funding and activity in that year will have been affected by the COVID-19 pandemic.

**Question 41. Do you believe that the components of daytime population inflow should be weighted to reflect their relative impact on demand for services? Please provide any additional information, including any explanation or evidence for your response.**

The LGA does not have a policy on how to set the weights for the different elements of daytime population. However, our general policy is for any weights to be based on evidence.

**Question 42. Do you agree with/have any comments on the design of the Foundation Formula? Please provide any additional information, including any explanation or evidence for your response.**

The LGA said in [its reply to the 2019 consultation](#) that deprivation should remain as a factor in the foundation formula, with development of a clear evidence base for the weighting for this cost driver. We did not express a view on the deprivation measure to be included. We are aware that different authorities will have different views on the inclusion of the Indices of Multiple Deprivation and the extent to which it does or does not capture all the facets or pockets of deprivation.

We also note that the Foundation Formula relies on the use of three-year averages in relation to net spend and daytime populations. It is not clear which years this relates to for the daytime population, but for net spend it covers the years 2021/22 to 2023/24. Consideration needs to be given to the fact that spend and funding in that year will have been affected by the COVID-19 pandemic. In particular, the Sales,

Fees and Charges Income Compensation Scheme may have had a distorting effect on net spend figures in 2021/22 as recorded in MHCLG's RO data.

**Question 43. Do you agree with/have any comments on the design of the Fire and Rescue Formula? Please provide any additional information, including any explanation or evidence for your response.**

We note that it has not been possible to produce a new fire RNF, as opposed to updating the existing formula. We support a collaborative approach between authorities with fire responsibilities and the Government to develop a new fire RNF that includes the relevant risk factors which drive fire and rescue spending.

**Question 44. Do you agree with/have any comments on the design of the formula for Highways Maintenance? Please provide any additional information, including any explanation or evidence for your response.**

We note that there is no higher weighting for heavy goods vehicles in the proposed formula. In our reply to the December 2024 consultation, we noted that the previous Government's 2017 consultation said that traffic volume, particularly that of heavy goods vehicles, has a significant impact.

We note that the weights in the new formula have been set with reference to expenditure data including 2021/22. The continuation of the COVID-19 pandemic in that year may have affected patterns of spend in that year. Furthermore, the continued use of the Sales, Fees and Charges Income Compensation Scheme in early 2021/22 will have affected the level of net spend as the scheme provided grant funding – recorded in net spend – to partially offset losses in sales, fees and charges income – which is not recorded in net income.

**Question 45. Do you agree with/have any comments on the design of the formula for Home-to-School-Transport? Please provide any additional information, including any explanation or evidence for your response.**

We are glad that a bespoke Home to School Transport formula has been included. We suggest that the Government should be guided by the evidence and should engage with councils as part of arriving at its decision on the final formula. Different councils will have different views on the proposed formula and the weightings applied. More widely, there needs to be a review of the Home to School Transport Policy.

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

It is important that a comprehensive equalities impact assessment is undertaken to ensure the reforms do not have unintended consequences for those with protected characteristics. The LGA refers the Government to the replies of individual councils for the individual examples requested.