Fair Funding 2.0:
District Councils' Network response
August 2025

About the District Councils' Network

The District Councils' Network (DCN) is a cross-party network of 164 district and 5 unitary councils. We are a special interest group of the Local Government Association, providing a single voice for all district services.

DCN member councils deliver a wide range of local government services to over 21 million people – 37% of England's population. They cover 59% of the country by area. DCN councils are home to 39% of England's businesses and almost a third of national Gross Domestic Product.

Analysis supporting DCN's response

DCN commissioned new financial modelling and analysis from Pixel Financial Management to underpin this response.

Executive Summary

DCN is concerned that the proposals in this consultation will create a real-terms cut to spending power for the majority of districts. This will exacerbate existing financial strain at a time when demand for many district services continues to rise strongly.

The overriding priority should be to ensure that district councils – and successor unitary councils– are properly funded to continue providing the vital frontline, place-based and preventative services that play a crucial role in driving growth and reducing demand on the NHS and wider public sector. As they stand, the reforms will challenge the financial sustainability of many DCN member councils, especially in more rural areas. It is perverse and counter-productive that the new funding model penalises the councils that have done most to drive growth and build new homes.

The modelling we have undertaken with Pixel Financial Management suggests that the impact for individual district councils will be very variable. We are concerned that no exemplifications have been provided for individual councils. Local authorities need clarity about their individual allocations well in advance of budget setting for 2026-27.

Many districts will depend on transitional funding arrangements to cushion the impact. We are especially concerned that up to 41 districts will be offered weaker transitional protection. DCN's strong view is that all councils should benefit from the 0% cash funding floor. If a council does not receive the 0% floor, the government should offer other flexibility or support to provide equivalent protection.

We would like to highlight several specific points of concern:

Business rates baseline reset

Resetting the business rates baseline in full will have a major impact on districts. We estimate the total net loss for districts from the reset alone would be more than £200m in 2026-27. Ten district councils would lose equivalent to more than 20% of their spending power. Even with transitional protection this would be very difficult for district councils and successor unitary councils to absorb without forcing cuts to important services and undermining investment in growth.

We do not agree with implementing a full business reset in 2026-27. Instead, we urge the government to implement a phased reset over five years and to allocate some of the returned business rates surplus with reference to the distribution of business rates growth prior to the reset.

New Homes Bonus

District councils have played a leading role in delivering new homes. In 2023-24, 45% of new homes in England were built in areas where shire districts were the planning authority – a figure substantially above their population share and proportion of existing dwellings.

The loss of financial incentives for housebuilding is counterproductive and sends the wrong signal at a time when councils need as much support as possible to increase and accelerate housebuilding. The New Homes Bonus helps councils cover the additional infrastructure and service cost caused by new homes. Removing it creates a disincentive for housebuilding.

Temporary accommodation

DCN supports the inclusion of a separate formula for Temporary Accommodation (TA). It is a significant cost pressure for district councils, rising by 228% in just five years. However, it appears that the proposed formula under allocates funding to district councils and could remove up to 8% of their TA funding. We call on the government to look again at the methodology to ensure distribution of TA funding better matches the incidence of TA cost.

Flood defence and coastal protection

DCN is concerned by the proposal to abolish the flood defence and coastal protection funding formulas. This is vital funding for many district councils in coastal and low-lying areas prone to flooding or environmental damage. Distributing the funding through the general formula means some or many of the affected councils will get less funding than they need to pay for these unavoidable costs.

Alongside dedicated funding for flood defences and coastal protection, we continue to call for long-term sustainable funding solution for Internal Drainage Boards. We are disappointed that this issue remains unresolved.

New burdens funding

The consultation appears to indicate that all existing new burdens funding will be rolled into the main settlement. We are concerned that this approach will lead to some councils not receiving full reimbursement for the additional costs they necessarily incur as a result of specific government requirements.

It is particularly important that new burdens funding to operate weekly food waste collections is paid as a separate grant. Rolling this funding stream into the main settlement in 2026-27 would be untransparent and contrary to the New Burdens Doctrine. Otherwise, individual councils will not compensated for the specific cost they incur.

There continues to be significant uncertainty about how funding for various changes to waste and recycling will work, including Extended Producer Responsibility. We call on MHCLG and Defra to provide a dedicated and comprehensive explanation for Waste Collection Authorities as soon as possible.

Financial flexibilities

The government should be much more ambitious in offering councils flexibility to raise and retain income locally. This could significantly soften the impact of these reforms.

The proposed framework for increasing and devolving fees and charges is far too cautious. There is no good reason why we cannot proceed directly and quickly to free councils to set fees to recover the full cost of services they provide, including penalties arising from enforcement.

We reiterate our call to reform the regime of council tax referendum principles and give all councils much greater flexibility and accountability in deciding the level of council tax.

Detailed Responses

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

As far as we can tell, no authorities will receive a “zero allocation” from these funding reforms. In principle, though, we would not support any authority having a negative allocation for either SFA or RSG. Negative values imply that council tax income is being transferred from one part of the country to fund services in another. Local taxpayers will be rightly concerned if their local council tax is being used in this way. We would welcome the use of mitigations to avoid zero allocations, particularly for smaller authorities like district councils where even modest funding reductions can have significant service impacts.

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

Not applicable.

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

DCN agrees with the principle of simplifying grants and with the ambition to end wasteful competitive bidding and unnecessary administrative burdens. However, we have several points to raise about the detail of the approach:

- To be able to make proper use of the greater simplicity and flexibility, councils will need more details of the new arrangements promptly, and in any event, before the provisional finance settlement.
- It is important this simplification approach is applied to grants from all government departments, not just MHCLG.
- Any grants provided outside the main settlement should have allocations announced for multiple years. Otherwise, the usefulness and certainty of the multi-year settlement will be undermined.
- Where consolidated grants are created these should be distributed via a new formula and this formula must be consulted on openly and in plenty of time. There should be minimum standards for the process of determining new distributions, with full transparency about how formulas have been developed, and the data/calculations that have been used to determine allocations. Some of the recent grant allocations (e.g. Extended Producer Responsibility Guarantee in 2025-26) have fallen short of these minimum standards.
- There should be a full schedule and timetable of all existing grants that will be rolled into the consolidated grants or into the main settlement over the next 3 years.
- In principle DCN supports creating a Crisis and Resilience Fund with a focus on prevention. But the allocation of the fund will be vital. All funding that relates to housing, including the current Household Support Fund and Discretionary Housing Payments, should be allocated directly to Local Housing Authorities i.e. to district councils in two-tier areas.
- The consultation is not entirely clear about the treatment of new burdens funding. It appears to indicate that all existing new burden grants will be rolled into the main settlement (RSG) and allocated according to Settlement Funding Assessment – unless there is an exception because the grant has a specific distribution. We would welcome clarification that this is the case. If it is, we are concerned that this approach will lead to some councils not receiving full reimbursement for the additional costs they necessarily incur as a result of specific government requirements. The entire point of new burdens is to reimburse councils for the specific cost they incur. We cannot see how this principle can be maintained if new burdens funding is distributed according to the main Settlement Funding Assessment. This gets the balance wrong between simplicity and fairness.
- We have concerns about future new burdens, especially in the context of funding for weekly food waste collections. Paragraph 3.2.4 of the consultation indicates that 'future new burdens will continue to be funded through new Section 31 grants, in line with the New Burdens Doctrine' rather than rolled into the main settlement. DCN's view is that funding

for food waste collections is a future new burden (it is certainly not an existing new burden) and should be allocated by Section 31 grant with a clear distribution methodology that has been consulted upon. We would welcome clarification that this is the government's intention. Rolling new burdens funding food waste into the main settlement in 2026-27 would be perverse, untransparent and contrary to the New Burdens Doctrine. It would mean that individual councils were not being compensated for the specific cost they incur. If this funding stream is rolled into the settlement at a future point, transitional arrangements should shield councils from any significant cliff edge difference between the allocation methodology used for the specific grant and the distribution using Settlement Funding Assessment.

- MHCLG should publish a full list as soon as possible – and certainly well before the provisional settlement – of all existing new burdens grants and any imminent new burden grants that will be rolled into the main settlement.

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

DCN agrees with the inclusion of separate formulae for Adult Social Care, Children and Young People's Services, Home To School Transport, Fire and Rescue, and Highways Maintenance. We have provided more detailed comments about these formulae in response to later consultation questions.

DCN supports the inclusion of a separate formula for Temporary Accommodation. This is a significant cost pressure for many district councils. However, we have reservations about the way the TA formula works. Our initial analysis suggests that over 70% of the TA formula funding will be allocated to London boroughs. This is out of proportion to the share of households in TA (56%) and total expenditure on TA (62%) in London. This results in an under-allocation of TA funding to councils outside London, including DCN members. Our analysis suggests that, as a whole, districts could lose 8% of their TA funding from the shift to the new formula compared to providing all TA funding through the foundation formula. If this is the case, we would urge the government to revisit the methodology for the TA formula.

This should include exploring the proposal made by the Institute for Fiscal Studies to explore using statistical proxies for TA demand based on factors such as local demographics, property tenure and housing costs. We believe this could reduce the risk of an overreliance on past costs obscuring the rapid growth of TA demand facing many districts.

DCN opposes rolling in some of the funding streams without proper protections, such as New Homes Bonus, Funding Floor, and Employer's National Insurance Contribution grants.

DCN has reservations about the methodology used to calculate the weighting of deprivation in the Foundation Formula (see our answer to Question 42).

DCN strongly disagrees with removing the separate formulae for Coast Protection, Flood Defence and Fixed Costs (see our answer to Question 5).

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

Disagree.

Some of the deleted Relative Needs Formulae (RNF) were very important to shire district councils.

The Fixed Cost Adjustment (FCA) was particularly important and reflected the basic costs of operation in every authority. The existing FCA ensures the costs of employing basic operational staff is recognised as a baseline for all local authorities regardless of size. Analysis conducted during the 2018 consultation indicated that the fixed cost uplift should be retained and should be weighted at least three times higher. The stated rationale for removing the fixed cost uplift is weak given that no other part of the funding model explicitly accounts for them.

The formulae for flood defence and coast protection are smaller pots of money, very unevenly distributed, and only weakly correlated with population size and deprivation. They are not paid to all authorities. It is vital that flood defence and coastal protection continue to have a bespoke formulae or receive other specific consideration. If it is too complicated to retain individual formulae for flood defence and coastal protection, our strong view is that they should be covered by separate grant funding streams outside the settlement. The approach of rolling these important funding sources into the main settlement is unfair and harmful to councils that unavoidably incur significant cost to provide the necessary coastal and flood protection for their communities. The situation is compounded by the continuing lack of a comprehensive, long-term solution to the steep and growing cost from Internal Drainage Board levies.

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

DCN strongly supports the methodology used to calculate control totals. It is right that they are determined based on actual spending patterns. We support using the most recent data on actual expenditure i.e. from the latest post-audit RO return. This was the approach proposed in the 2018 consultation.

DCN supports splitting the foundation formula control total using the expenditure patterns in shire county areas which have district and county councils. This is the only expenditure data that clearly shows the relative spend of the two types of council.

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

Agree.

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

DCN supports the inclusion of Remoteness Adjustment, and the Accessibility Adjustment within the Labour Cost Adjustment. They recognise the higher unit costs that are incurred by authorities with high levels of sparsity and/or remote from competitive markets.

However, we are concerned about the weighting given to the Accessibility Adjustment and Remoteness Adjustment. Our analysis suggests they do not fully compensate rural authorities for the abolition of the sparsity indicators in the current formula. The ACA elements only provide funding for the additional unit costs in rural areas, whereas the current sparsity indicators provided funding for a wider range of cost pressures, including higher demand for some services in rural areas. In our view, the sparsity and remoteness adjustments should be adapted to cover a wider range of cost pressures. As it stands, the proposed methodology tends to disadvantage rural councils.

More positively, the proposal for the travel time adjustment is an improvement in technical terms. It applies the same methodology to every authority on the same basis, whereas the sparsity and density measures in the current formula have cut-offs, which creates cliff-edges.

DCN supports the methodology for the Rates Cost Adjustment.

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?

Agree.

There is a strong case for including the Remoteness Adjustment in the ACA. Delivering a service over a wider geography with people further from population centres increases costs. There is also less likely to be a competitive market for procurement in such remote rural locations.

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?

DCN agrees with the aim of full equalisation.

Overall, DCN supports the approach of using notional council tax as the basis for equalisation.

The assumed national council tax used in the calculation of notional council tax should be set in line with national average Band D.

We recognise that using a notional average is a disadvantage to councils with precepts far below the average, unless they are offered the ability to increase their bills by above the current 3% or 5% referendum threshold. This provides a further reason for implementing DCN's long-stated call that councils should have full flexibility and accountability in deciding the level of council tax. Some of this group of authorities may not have increased council tax by the maximum in the past because the funding system rewarded them through retained business rates and New Homes Bonus, benefits which they will now lose because of Fair Funding 2.0.

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?

Agree.

Question 12 – Do you agree with the government's proposal to use statistical methods to proxy for the impact of Working Age Local Council Tax Support in the measure of taxbase?

Agree in principle, subject to consultation and review of the intended approach.

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

Disagree.

There is insufficient evidence provided to substantiate the proposed methodology and no evidence that alternatives have been considered.

We do not support the use of Indices of Multiple Deprivation in this context. Using benefit data should be explored because this is much more likely to correlate with the demand for Working Age Local Council Tax Support (WALCTS).

We recognise that some measure of deprivation does need to be taken into account because demand for the WALCTS will be higher in authorities with higher levels of deprivation. We would like to see more transparency about the approach that has been used.

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?

Agree.

These are discretionary schemes. If they were included within equalisation, it would discourage authorities from applying them.

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

Agree.

We agree that a uniform rate should be applied. But the collection rate assumption should be based on the actual collection rate and not on full collection. The objective of the equalisation calculation is to base the adjustment on actual council tax levels (hence the use of the national average Band D).

Local authorities do not collect 100% of council tax. The actual collection rate of 95.8% should be used.

The justification for using full collection rather than the actual collection rate is "to [ensure] that the incentive for all authorities to reduce tax avoidance remains". This is misleading. Billing authorities are already incentivised to maximise collection. Using a different collection rate in the resources adjustment will not reduce that incentive.

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?

Agree.

We agree that the right approach is to use average share of council tax.

However, we would welcome clarification whether the 11.0% share for district councils includes the parish precept. We do not think it should. This income is passed through and cannot be spent by districts. Including it in the district share would overstate income-raising ability.

In addition, we think there may be an anomaly related to councils that have a separate Special Expenses account (because they are only partially parished). Council tax receipts related to Special Expenses cannot be spent on the General Fund. Including these receipts in the resource adjustment materially reduces the funding available for the General Fund i.e. if Council Tax receipts for Special Expenses were excluded, the council's share of Council Tax would be materially lower than the 11% average share. In some cases, Special Expenses account for more than 10% of an authority's Council Tax income.

DCN encourages the Government to explore different treatment for councils with Special Expenses accounts. While we recognise this would reduce simplicity, we think it is an important point of fairness.

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?

Agree.

Following the baseline reset in 2026-27, district councils will be fully exposed to any variations in business rates and will not have had the opportunity to build up any growth. Districts are much more exposed to risk in the Business Rates Retention System (BRRS). A higher safety net would be very welcome, particularly in the early years following the reset. DCN would also welcome a review of the safety net in the context of wider changes in the BRRS, and as part of the discussion around the balance between risk and reward needs.

There is also an argument that the safety net level should be at 100% or much closer to 100% in 2026-27 to ensure that the full impact of the changes in the Fair Funding Review can be delivered.

The consultation is silent on the treatment of business rates pools and pilots. DCN believes there is a strong case for them to continue and to be rolled into SFA.

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?

Disagree.

The consultation asserts that that there is no evidence that New Homes Bonus (NHB) has acted as an incentive for housebuilding. This assertion is itself not supported by adequate evidence. Given the elevation of housebuilding to a national mission, it would be counterproductive if local councils were not incentivised to support the delivery of housing. This sends the wrong signal at a time when councils need as much support as possible to increase and accelerate housebuilding.

Building new homes creates additional demand for council services and hence additional cost. Council tax income from these new homes will not by itself cover the additional cost. NHB helps councils cover the cost of new homes. Removing it creates a disincentive for housebuilding.

DCN's strong view is that NHB should be retained unless and until a replacement is agreed.

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

DCN believes some of the measures in this consultation will disincentivise affordable house building. This includes ending the New Homes Bonus and the approach of fully equalising council tax. To incentivise housebuilding, especially affordable homes, councils need to have confidence that a proportion of their growth in taxbase will be retained locally over an extended period.

We believe it would be possible and desirable to design a housing incentive scheme specifically targeted at affordable housing. This could include additional flexibility on council tax or business rates income if defined thresholds are met.

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

MHCLG should offer a big package of additional freedoms and flexibilities for councils to raise and retain income locally. This should include changes to council tax referendum thresholds as well as new freedoms on fees and charges. This is especially important for district councils given their higher gearing to local income and much lower share of government grant.

The current limit of 2.99% or £5 does not provide district councils with the funding required to maintain their vital services. Last year district councils generated 53% of their revenue funding from council tax yet district councils have consistently been given tighter council tax referendum principles than town and parish councils and Police and Crime Commissioners (PCCs) over a long period.

Increasing the referendum principles to at least 5% or £10 could generate around £100m extra income per year for district council services at no cost to central government. The current £5 limit is only relevant to 20 out of 164 district councils. Even if these additional flexibilities were used in full in 2026-27, it would only cost the average Band D household 22p extra a week. District precepts would remain below PCC precepts in the vast majority of areas.

Additionally, if the government approach is based on national council tax levels, there should be additional flexibility for councils below the average national level to increase council tax up to the average.

We also believe that Special Expenses should be excluded from the baseline used to determine the maximum Council Tax increase. Including them in the baseline puts the group of councils with Special Expenses accounts at a disadvantage compared to councils that have no parishes or very high levels of parishes.

DCN believes the government should be much more ambitious in devolving to councils the flexibility to set fees and charges, and to recover the full cost of providing service. Please see our response to Question 31.

DCN believes there is a good case for fiscal devolution to create new powers for councils to raise and retain income locally. This could start with tourist taxes but should be part of a more ambitious programme. The English Devolution and Community Empowerment Bill provides an ideal opportunity to introduce the primary legislation needed to underpin genuine fiscal devolution.

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

Generally, none are necessary. Councils are democratically elected bodies, accountable for their decisions at the ballot box.

In respect of allowing councils to balance their budgets over a multi-year period, we agree that this should be time-limited and should not exceed three years.

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

Disagree.

DCN agrees that the updated allocations should be phased in. Our modelling indicates that 91 out of 164 district councils will lose from the funding reforms. Some of these losses are very significant indeed. It is vital that the impact is cushioned for these councils and that there is a manageable trajectory to their new funding allocation.

However, our clear view is that the three-year period of the settlement is too short. While there is a case for introducing funding changes within a fixed period, we would strongly prefer that the period was based on the impact on authorities' funding rather than an arbitrary period. For those district councils who are losing, overall funding allocations over the next 3 years will reduce in cash terms. In fact, most of the 41 district councils that will have a below-cash funding floor in 2026-27 will have lower levels of overall resources in 2028-29 than they have in cash terms in 2025-26. This represents very significant real-terms cuts, even with the maximum increase in Band D council tax. It is much less than the increase in spending pressures.

We have concerns about the financial sustainability of some of the district councils worst affected by the reforms. Some of them do not have high levels of unringfenced reserves. Even where they do, we do not agree it is right or prudent for councils to be expected to run down reserves to plug funding gaps that they did not create. Reserves can only be used once. There is also ongoing uncertainty about how the costs of transitioning to new unitary councils through local government reorganisation will be financed. This represents an additional financial pressure that may need to be met from reserves**.**

We note that there is a group of district councils that will benefit from the 0% cash floor but remain financially vulnerable. They are typically smaller councils where geography or other local circumstances have limited the potential for growth (and hence business rates income and capital receipts). These councils will entirely depend on implementing maximum Council Tax increases to remain at or above the funding floor. The impact of real-terms cuts will be particularly acute for these councils.

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.**

Agree.

A minimum funding floor is an essential part of a comprehensive transitional protection regime. We note that a 0% cash floor would still mean that councils received a real-terms cut in funding at a time when demand continues to rise.

If it is not possible to offer a higher funding floor, the government should go much further in offering other freedoms and flexibilities to help all councils manage the impact of rising cost and demand – including on council tax, fees and charges, and fiscal devolution. Please see our answers to questions 10 and 20 for more detail.

We agree that Core Spending Power and Business Rates growth should be included in the income baseline for the purposes of the funding floor calculation. It is particularly important for Business Rates growth to be included.

We understand that around 40 district councils are in line to receive a below-cash funding floor. DCN's strong view is that all councils should have the benefit of the same 0% funding floor if they need it. It is not clear how MHCLG has defined and selected the councils that will not be offered the 0% floor. There should be a clear process/definition for selecting some authorities and not others that is objective and based on evidence/data rather than judgment. We are also concerned about creating a cliff edge between councils marginally above the threshold with a 0% floor and councils marginally below the threshold with a potentially much lower floor. The government's approach must avoid creating a cliff edge. All authorities should be treated consistently and fairly.

If some councils are offered a lower funding floor, our strong preference is for the impact of the lower floor to be phased over the three-year period rather than frontloaded in Year 1. It is unreasonable to expect councils to absorb a significant cash cut – potentially as high as 7% - to their funding next year.

If, contrary to DCN's view, the government does not offer every council the 0% funding floor, it must offer affected councils other support or flexibilities that provide an equivalent level of protection. These flexibilities should include greater council tax flexibility, which should be available to any affected council, regardless of whether its council tax is relatively high or low. We also support exploring the potential for affected councils to have more flexibility to balance their budgets over a multi-year period.

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

Disagree.

We do not support the use of population projections because they are not sufficiently reliable or accurate.

Sub National Population Projections (SNPP) are produced using historical data and population component trends that are projected into the future, whereas Mid-Year Estimates (MYE) are produced using changes to the population components measured during the previous year. Projections are not forecasts and do not attempt to predict the impact of future political and economic changes or local development policies.

In other words, projections are based on historic trends and simply projected forwards. It is for this reason that projections can often be significantly inaccurate. The ONS highlights that "…projections become increasingly uncertain as they go forward into the future, particularly for smaller geographic areas and detailed age and sex breakdowns".

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

Disagree.

We disagree that projections of council tax levels (Band D) should be used.

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

We disagree that council tax projections should be used.

There are no formal council tax projections or forecast published by ONS or any government department. Projections would be based on previous years' trends, which might not reflect future capacity to grow. It would be unacceptable to use such unreliable projections, which would lock-in allocations over 3 years.

Our view is that neither population nor taxbase should be updated within the 3-year allocations. The quality of the projections is insufficiently robust.

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

Agree.

However, we note the Institute for Fiscal Studies analysis that "the formula-based assessed need for a new unitary authority would not be equal to the sum of its former two-tier councils (it would tend to be lower given lower gross cross-border commuting)." If this effect, in combination with the upfront costs of setting up new authorities, means that new authorities begin their operation under aggravated financial strain, they will be set up to fail.

We urge the government to provide additional funding outside of the main finance settlement to enable local government reorganisation to be implemented successfully.

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.

Agree.

Government must consider the rate at which efficiency savings can be delivered without undermining existing services. Without this, there is a risk that new councils will start on the wrong foot by having to grapple with cuts to their spending power while trying to stabilise new organisations.

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

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

Numerous requirements have been imposed on local government over decades by successive governments. There is scope for many of them to be removed, reduced or simplified. These include:

- Regime for Freedom of Information and subject access requests
- Planning appeals
- Excessive reporting requirements for annual accounts
- Bureaucratic procedural requirements in legislation or statutory guidance, of which the numerous requirements to publish notices in local newspapers are only one example

We would also support a fundamental review of central government monitoring and reporting requirements and of unnecessary hurdles to data sharing in the public sector.

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.

Disagree.

The framework set out in the consultation is very high-level and is not a substitute for concrete action to devolve fee setting. A hierarchy is not required. Instead, a common approach is needed, which we set out below.

The proposal is far too slow and cautious. DCN does not agree that the first step should be for government to increase some fees centrally before considering devolution. There is no reason why we cannot proceed directly and quickly to free councils to set all fees and charges for services they provide, including penalties arising from enforcement.

The approach should be that all fees and charges collected by councils should be set locally to ensure they will meet the cost of specific services in full, unless the council decides there is a reason to charge a below-cost fee.

The view that service users need to be 'protected' is understandable, but misplaced. In many cases, service users have discretion to avoid a charge by changing their behaviour. In addition, many charges – such as for obtaining an alcohol licence or building control certificate - are incurred as the result of undertaking a commercial enterprise. If the level of charge does not reflect the cost of the service, other council taxpayers are subsidising something which benefits the individual or company.

It is time to set aside concerns about variation in fees between areas. Council tax varies between areas, as do car parking charges, taxi licensing fees and a range of other fees and charges that councils already set. Private sector companies do not operate universal pricing. For example, prices for fuel vary from area to area and prices for goods can even vary between the same company's superstore and local stores in the same town. Variation is a consequence of devolution. In our view the Government should prioritise devolution and demonstrate that it has reset the relationship between central and local government by bringing forward an urgent, comprehensive programme to delegate setting of all fees, charges and penalties to councils. This should be subject to a requirement not to exceed full cost recovery.

Having fees set by central government creates a rigid system that is not responsive enough to changing circumstances. Even when levels are reviewed, the process of implementing changes through legislation is often ponderous.

The DCN does not believe that changing the criteria used by central government to set this system would make it nimble in the way a locally led system would be.

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.

The Government is looking at this question through the wrong lens. Consistent with our earlier response, service users deserve to pay the full price of services that they use rather than expect to have it subsidised by other council taxpayers. The best and simplest solution is to devolve all fee setting to councils, subject only to a requirement not to exceed full cost recovery.

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.

We disagree with the measures outlined in paragraph 11.2.5. It is time to reset the relationship between central and local government and see central government withdraw from the minutiae of what the appropriate fee for a particular service or activity should be.

If councils were empowered to set all fees and charges locally but only at the level that covers the cost of a service, it would ensure that those seeking licences, being inspected or using particular services would bear the cost of them. At the same time, limiting fees to the level required for full cost recovery would ensure that service users do not suffer a financial impact above and beyond that which is necessary to deliver a service without burdening council taxpayers who do not use it.

An additional safeguard would be provided by the fact that councils would be accountable to their local electorates at the ballot box for the level of any fees set locally and for any impacts that arise from them.

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?

Disagree.

As already indicated, DCN believes that central government reviews of fees are generally unnecessary and unduly lengthy. Responsibility should be devolved to local government immediately. While we recognise that primary legislation would be required, there is an ideal vehicle immediately to hand: the English Devolution and Community Empowerment Bill. If necessary, councils can conduct their own reviews that reflect the specifics of their local circumstances.

If the English Devolution Bill cannot be used, then pending alternative primary legislation, DCN would support rapid steps by ministers to review fees upwards where they are set by secondary legislation.

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

DCN supports the proposals to update the Adult Social Care RNF. The current formula is out-of-date and has been heavily criticised. DHSC had commissioned the Personal Social Services Research Unit (PSSRU) to review the current formula, and we support the decision to broadly use that new formula. The Adult RNF will distribute over £26bn in funding within SFA, so it is essential that a robust formula is used.

We can see that the recommended formula broadly follows the structure and weightings used in the 2018 paper published by PSSRU. PSSRU has updated the formula to take into account more recent changes in activity and expenditure and used this analysis to select the most appropriate indicators. We support this approach and the outcome of the research.

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?

DCN does not support using population projections within the ASC RNFs. It is very hard to project populations at the local authority level and even more challenging for smaller population cohorts. We favour certainty over projections. Population can be updated at the periodic resets and formula reviews, as long as these are sufficiently frequent (no longer than 3 years).

More specifically, the 2026-27 population projections are a long way from the 2021 rebasing and are likely to introduce more variation in population figures. ONS figures show that the further projections are from the base year, the more inaccurate the figures are.

Question 37 – Do you agree or disagree with our proposal to include a Low Income Adjustment (LIA) for the older adults component of the ASC RNF model?

We support the principle that the formula should factor in the ability of residents to self-fund their care or contribute towards it. These are substantial income streams for local authorities. It is reasonable that they are taken into account when assessing the net costs to local authorities.

The methodology used in the Older Adults RNF is untested. We would like to see some alternatives before deciding whether it is right to support it. Council tax bandings will partially reflect the ability of residents to pay for their care but there are many other factors.

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?

Agree.

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

Agree. If this approach is supported by the analysis from the researchers, then this would be a reasonable decision.

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.

It is difficult to assess the robustness or reasonableness of the new children's formula. We are not questioning the thoroughness of the researchers that have been engaged by DfE, nor the data collection on which that research was based. But there is much more work for DfE to do to defend the credibility of this formula.

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

Agree.

We support including visitor population as a factor in the formula. We agree that commuters and tourists use non-social-care services at different levels of intensity than the resident population. Visitors use some services more heavily than permanent residents. This should be reflected through weighting.

We assume the additional costs of accommodating commuters and visitors fall disproportionately on the place-based services that district and unitary councils provide. The weighting should ensure the councils with these responsibilities receive funding that reflects the additional cost they bear.

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

DCN supports the aim of linking funding more tightly to demand for services and the cost of providing them. DCN also supports the aim of tackling deprivation and inequality.

We agree that levels of deprivation are a factor in determining need. Most of the districts that have suffered the biggest cuts to spending since 2010 are those with highest levels of deprivation. The most deprived shire districts have lost more than half of their 2010 resources in real terms.

However, DCN believes the weight given to deprivation should reflect the extra costs it creates for councils. Analysis previously undertaken by MHCLG and published in the 2018 consultation found that most of the variation in expenditure for the functions within the Foundation Formula could be explained by population. Adding deprivation increased the explanatory power of the formula, but only marginally (by between 0.4% to 4%). The weighting for deprivation in the proposed fafoundation formulas is considerably higher than this.

We recognise that the increase in funding will be very welcome to councils in the most deprived areas. But it is not clear to us on what basis the deprivation weighting has been calculated and why it is so different to the level implied in the 2018 analysis.

Separately, we encourage the government to change the terminology it uses to describe elements of the Foundation Formula. In particular, we do not agree with using the hierarchical terminology of 'Upper Tier' and 'Lower Tier'. It seems nonsensical that unitary authorities fall within both elements. More importantly, the government's timetable for Local Government Reorganisation suggests all district councils will be abolished by April 2028. We suggest alternative terminology, such as Foundation Formula 1 (which applies to shire districts and unitaries) and Foundation Formula 2 (which applies to shire counties and unitaries) – and ultimately their replacement with a single Foundation Formula when all councils are unitary.

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

Not applicable.

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

Agree.

DCN agrees that the Highways Maintenance RNF should be based on road length and traffic flow, together with an ACA uplift.

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

DCN supports the new formula.

But we do not support the proposal for a cap on distance. In many rural areas, particularly those with the greatest levels of sparsity, it might not be possible to place a child within 20 miles. Authorities will already be incentivised to place a child as close to their home as possible (after all, they will be paying the travel costs). We would like to see the datasets that MHCLG have developed, and to understand the number/ proportion of journeys that have been capped, and the impact on funding for our member.

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

As local government generally supports those who are the most vulnerable in society, the proposals to divert resources away from some councils as part of Fair Funding is likely to have a disproportionate impact on people with protected characteristics in those areas.