

# Fair Funding Review 2.0/ local authority accounts 2024-25/ benchmarking

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August 2025

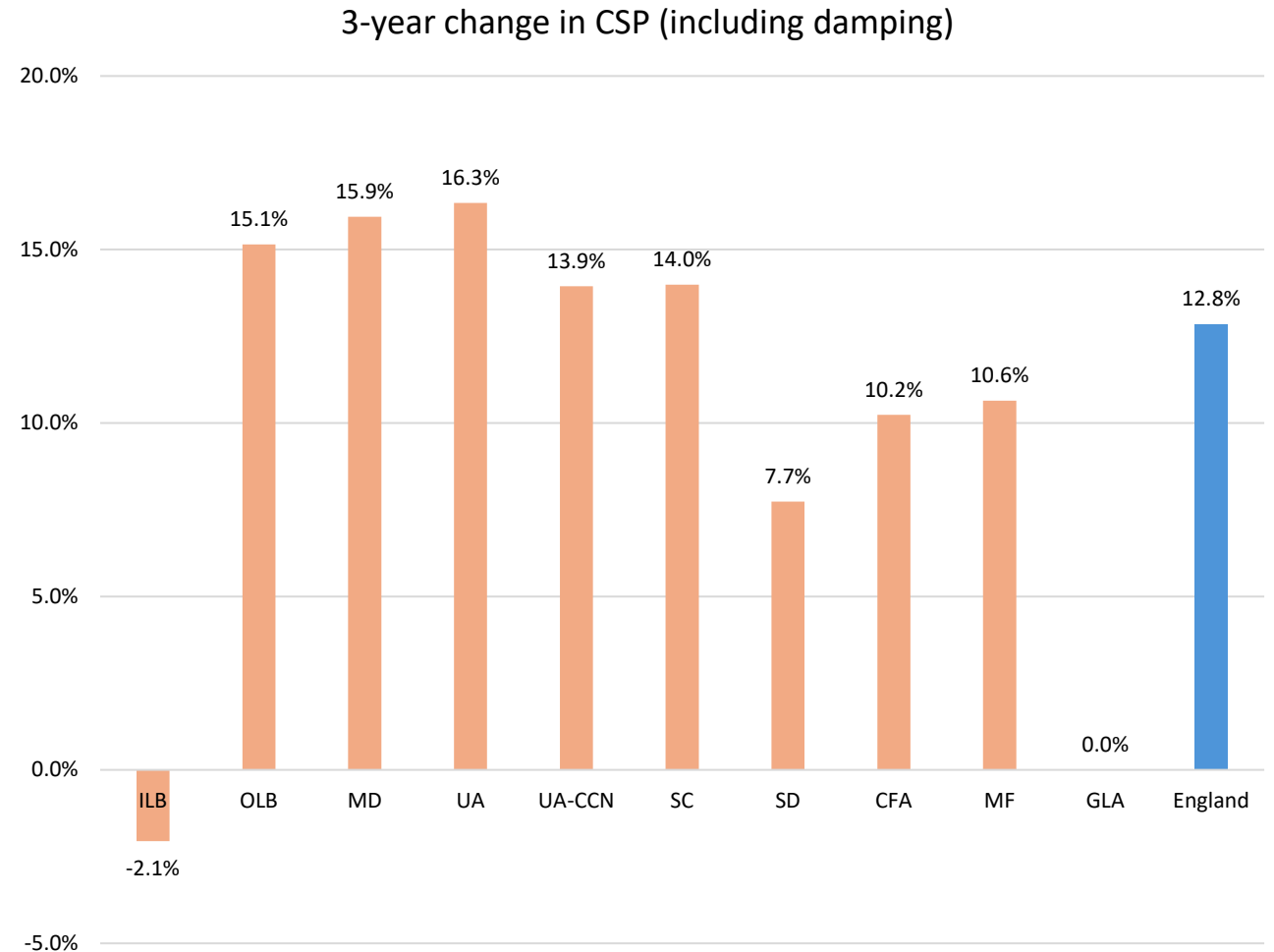


# Overview

- Consultation link: <https://www.gov.uk/government/consultations/the-fair-funding-review-20/the-fair-funding-review-20>
- MTFP modelling – latest version and future updates; and continuing variables
- Response to the consultation – 15 August 2025 (8-week consultation)

# Context – MTFP model status and outputs

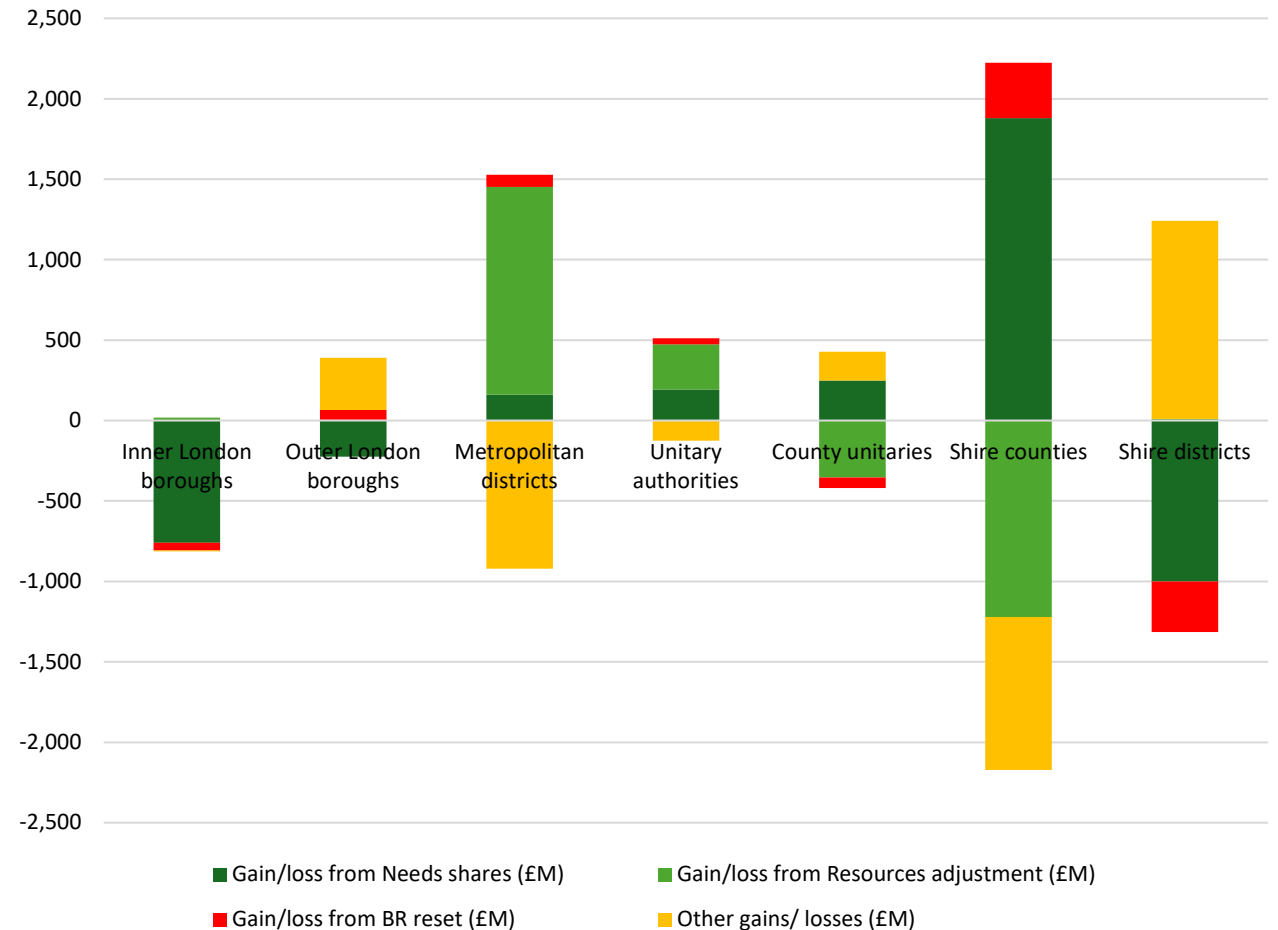
- Latest version of the MTFP model (v5-16-7) uploaded to the website on 18 July 2025
- Following session with MHCLG (16 July), feedback that the models are in the right area, without confirming actual allocations
- Much yet to change and update – but there is broad agreement between the models (Pixel, LC, LGF, IFS)
- Not planning to change the MTFP model until the Policy Statement in late September 2025
- Similar outputs to other models but higher than indicative outputs from MHCLG (suggests some of the growth in funding is being allocated directly to social care)



# Context – movement and change

- **Mets:** major gains from council tax equalisation, but much less from “needs”. Gains from BR reset also very small.
- **Counties:** major gains from “needs” shares, offsetting losses from equalisation. Largest gains from BR reset.
- **Inner London:** losses are driven almost entirely by reduced “needs” share.
- **Outer London:** gains overall but gains from “other” and BR reset offset reduced “needs” share.
- **Shire districts:** losing from “needs” and BR reset, but gaining on “other”. Also neutral on council tax equalisation.
- **What is in “other”?** Changes in RNF weightings, loss of ASC grants (precept equalisation), baseline effects (13-14 damping, negative RSG), 16-17 cuts, etc

Chart 4 - Movement in funding, by class (£M)



# Planned changes (data, etc)

- Mid-2024 population estimates (30 July 2025)
- ACA – updated journey times (available now) and new earnings data from Annual Survey of Hourly Earnings (Nov 2025)
- Index of Multiple Deprivation (IMD) 2025 (mid-Autumn 2025)
- Traffic flow (already released)
- 2025 Council Taxbase (CTB1) (October 2025, but not clear if new CTB1 will be used)
- Consumer Price Index (CPI) for September 2025 (published October 2025)
  
- We will share new data when it is available but will not update the MTFP model unless MHCLG provides new data (e.g. new RNF shares)
- Further decisions about funding formulas, treatment of rolled-in grants, and quantum

# Variables

- We are not planning to change the “default” settings in the model until Policy Statement – but we will add some new features allowing you to explore potential variables:
- **Phasing of SR25 allocations** – see next slide
- **LA BCG** – more in later slide
- **Consolidated grants (Public Health grant)** – modelling assumption that there is no change in distribution for grants outside SFA but option remains (cells B99 to B101 in the “Systems Assumptions” tab)
- **New money will be “distributed using new shares”** – this could be weighted RNFs (i.e. needs shares) or a specific RNF (e.g. children’s/ ASC)
- **Council tax equalisation** (percentage equalized, future Band D growth, 100% collection rate)
- **Baseline calculation** – no options yet but potentially different options
- **Different damping floors** (0% => +4%?) – option already available [*Any change to phasing of gains and losses?*]
- **Cap compensation** – assume treated as a distributable grant but potential for cap compensation on above-baseline growth to also be rolled in
- **100% pilots** – not clear whether BR growth from pilots rolled in to SFA
- **Greater London Authority (GLA)** – treated as a fire authority within settlement but BR growth outside (we have damped resources to 0%)

# Phasing SR25

- Assumed quantum based on SR25 – we have used Core Spending Power (CSP) from Table 5.3, with assumed council tax yield increasing by 6.2% annually
- Additional growth of £2.3bn (cumulatively) over 3 years, with largest increase front-loaded (£1.4bn in 2026-27)
- MHCLG have confirmed that the additional SR25 funding is currently spread evenly across the 3 years (in their modelling), and they are awaiting ministerial decisions (unlikely to be their final position)
- MHCLG informally indicated that the modelled grant increases are £1.1bn in each year (£3.4bn cumulatively)
- Appears that there is more funding in SR25 than we have assumed – will not change the model but will provide an option to show higher amount

You can increase the resources within SFA by reducing the assumption for council tax growth (reduce assumed increase in yield from 6.18% to 5.45%, cell K35)

Spending Review 2025	2025-26	2026-27	2027-28	2028-29
Assumed council tax	38,312	40,679	43,193	45,863
Settlement Funding Assessment (SFA)	16,841	30,824	30,824	30,824
Cap compensation	2,696			
Recovery Grant	600			
Funding Floor	121			
New Homes Bonus	290			
Employers' National Insurance Grant	502			
Local Authority Better Care Grant	2,640			
Social Care Support grant	5,924			
Market Sustainability and Improvement Fund	1,050			
Domestic Abuse Safe Accommodation	160			
Children's Services Prevention Grant	270	270	270	270
SR25 growth		1,427	1,813	2,343
<b>Core Spending Power (CSP), per SR25</b>	<b>69,406</b>	<b>73,200</b>	<b>76,100</b>	<b>79,300</b>
		5.47%	3.96%	4.20%
Settlement Funding Assessment (SFA)		30,824	30,824	30,824
SR25 growth		1,427	1,813	2,343
Specific social care distribution				
Homelessness Prevention Grant	633	285	285	285
Funding for transitional support		-27	-185	-375
Greater London Authority (TFL funding within SFA)		-1,204	-1,204	-1,204
Business rates surplus		1,495	1,495	1,495
Cap compensation on above-baseline BR				
Resources adjustment		38,396	39,740	41,131
<b>Needs Assessment (£M)</b>		<b>71,196</b>	<b>72,767</b>	<b>74,499</b>

# Rolled-in grants

- **Grants rolling-in include:** Social Care Grant, Market Sustainability and Improvement Fund, LA Better Care Grant, Recovery Grant, National Insurance Contribution Grant and the New Homes Bonus. All distributed using the new shares within SFA.
- **New money** will be distributed using the new shares (modelling assumption, not necessarily policy)
- **Cap compensation funding** will be rolled into SFA and treated as a redistributable grant
- **LA BCG:** grant will be rolled in to SFA and redistributed using the new SFA shares. LA BCG grant allocations will then be top-sliced from RSG and paid as a s31 grant (pooling arrangements with NHS). “importantly, it will not affect the underpinning new distribution and the overall funding which local authorities get will remain the same.”

# Higher damping floors?

- Proposal from some authorities to have a higher damping floor for social care authorities (up to 4%)
- Currently set at 0% for social care authorities
- In practical terms the highest floor level would be about 2% lower than the average increase in resources
- How to deal with inner London (and Richmond upon Thames)?
- To show impact, use “Main damping floor (cash flat)” setting in “Systems Assumptions” (cell B89)
- **Illustrative cost of damping floor (paid for by scaling back gains):**
- **0% = £32m in 2026-27, £205m in 2027-28 and £405m in 2028-29**
- **1% = £86m, £359m and £638m**
- **2% = £173m, £549m and £931m**
- **3% = £280m, £802m and £1.3bn**
- **£439m, £1.2bn and £2.0bn**

# BRRS

- Retained rates rolling-in based on 2025-26 (we are using 25-26 NNDR1, as are MHCLG)
- Seems unlikely that NNDR1 amounts will be updated, and will not use forecasts (so not updated for 2025-26 NNDR3)
- Still working on how variances between NNDR1 and NNDR3 will be managed
- Cap compensation funding is rolled into SFA in 2026-27 (authorities will not receive any cap compensation payments in 2026-27, unless the scheme is revived for new under-indexation)
- 100% business rates pilots – we have assumed that the pilot BR growth is outside the system (i.e. not rolled-in) but indications are that MHCLG's own modelling includes it
- Likely exceptions in GLA, GM and (possibly) WM – but what about the other pilots (Liverpool, West of England, Cornwall). No decision yet on their future.
  
- Design of the new BRRS is still a work-in-progress. There will not be a new consultation paper in the Autumn (not enough time) but we will have technical working papers to keep us informed about future system design.
- We will update our model to incorporate this (when data allows) but the bottom-line impact is unchanged (i.e. authorities lose their 2025-26 BR growth, and it is rolled into baselines/ SFA in 2026-27)

# Children's services RNF

- New formula results in enormous changes in the distribution of funding for children's services
- London losing the most funding (~40%), and Mets gaining the most
- Significant variances between share of RNF and share of expenditure, and also between RNF needs per head and expenditure per head
- Variances at individual authority are particularly significant in some cases (e.g. North Lincolnshire 0.33% of RNF, 0.24% of spend per head; Rutland 0.03% of RNF, 0.06% of spend per head)
- Very difficult to challenge this formula because it is based on multi-level regression modelling and uses child-level data (not local authority measures)
- Change in the methodology from the original proposals (this needs to be explained)
- Some technical challenges from London Councils  
<https://www.londoncouncils.gov.uk/news-and-press-releases/2025/proposed-reforms-childrens-services-funding-dramatically-underestimate>

	Share of spend (%)	RNF needs share (%)	RNF needs per head (£)	Expenditure per head (£)	Variance between "needs" and expenditure (%)
London Boroughs	17.3%	15.5%	1,345	1,293	-3.8%
Metropolitan districts	23.4%	30.1%	1,802	1,361	-24.5%
Shire counties	28.9%	26.5%	1,103	1,036	-6.1%
County unitaries	9.5%	8.2%	1,147	1,183	3.1%
Unitaries	20.9%	19.8%	1,453	1,318	-9.3%
<b>England</b>			<b>1,360</b>	<b>1,214</b>	<b>-10.7%</b>

- *IDACI – does not take into account housing costs*
- *Free School Meals – again does not take housing costs into account and there are issues with take-up (a better metric would be children in households receiving UC)*
- *Formula uses a subjective measure of child health rather than a broader measure (e.g. number of SEND children)*
- *Replaced “overcrowded housing” with “under-occupied housing” without explanation*
- *Uses parents’ educational attainment, whereas LC argue a measure with greater correlation with needs should be used (e.g. crime data)*

# Adult social care RNF

- Very significant element within SFA (37.5%) and used to distribute rolled-in social care grants
- New RNF largely based on PSSRU research <https://www.pssru.ac.uk/pub/5143.pdf> - which delivers very different outcomes to the current RNF
- Updated proposals used for 2026-27, which shifts share of funding further towards shire counties (and London) and away from Mets
- Broad direction of travel was expected – but the latest update to RNF has made this more significant
- Missing indicator (Limiting condition metric, from Census) and also changes in the weightings

Chart 7a - Younger Adults RNF shares (%)

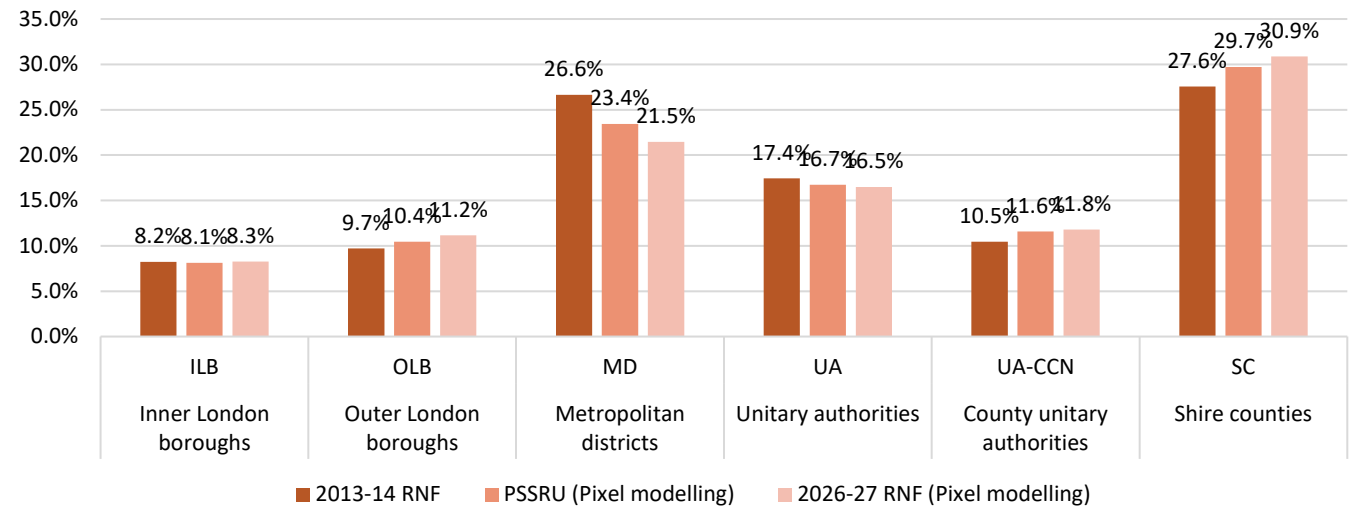
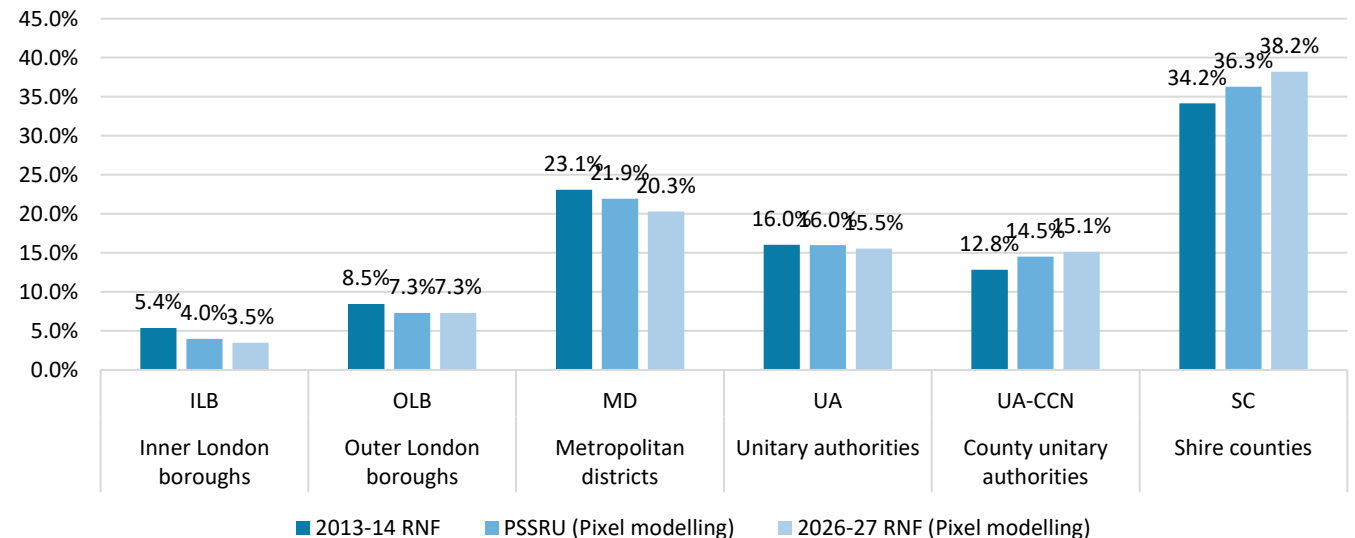
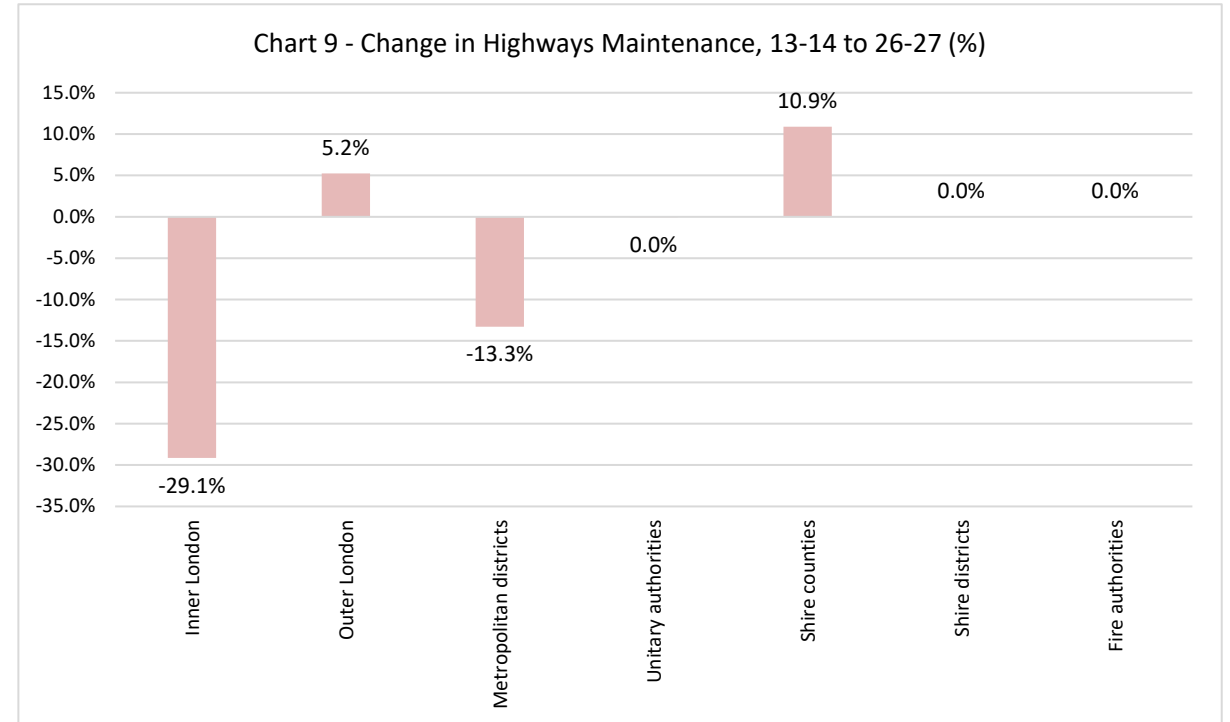


Chart 7b - Older People RNF shares (%)



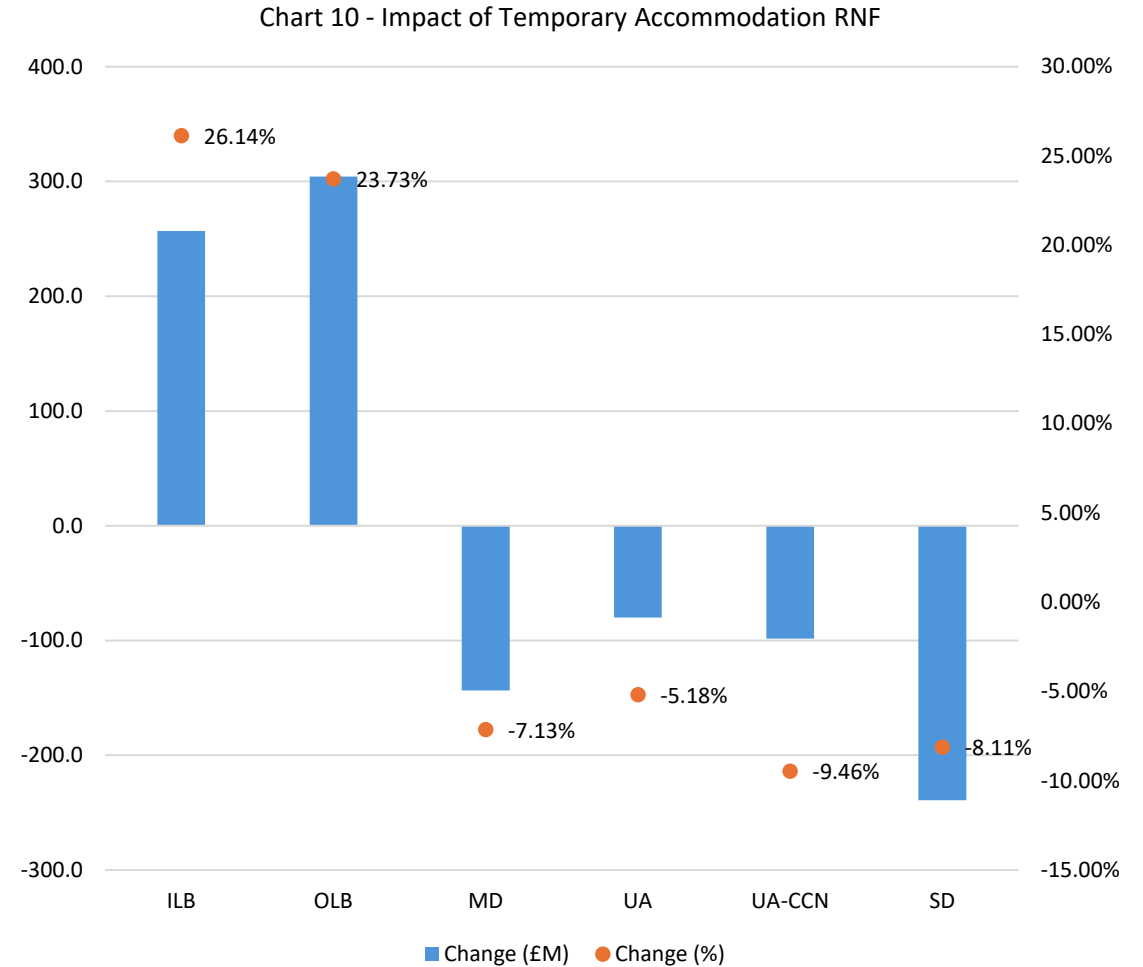
# Highways maintenance RNF

- “natural log of traffic flow divided by road length”
- No urban weightings (moves around £50m from London and £70m from Mets, and moves it to county areas, +£156m)
- No winter maintenance top-up
- Movements at authority level are huge, and not always predictable (e.g. Cambridgeshire, where there is a reduction in RNF (from 1.61% to 1.41%)



# Temporary Accommodation RNF

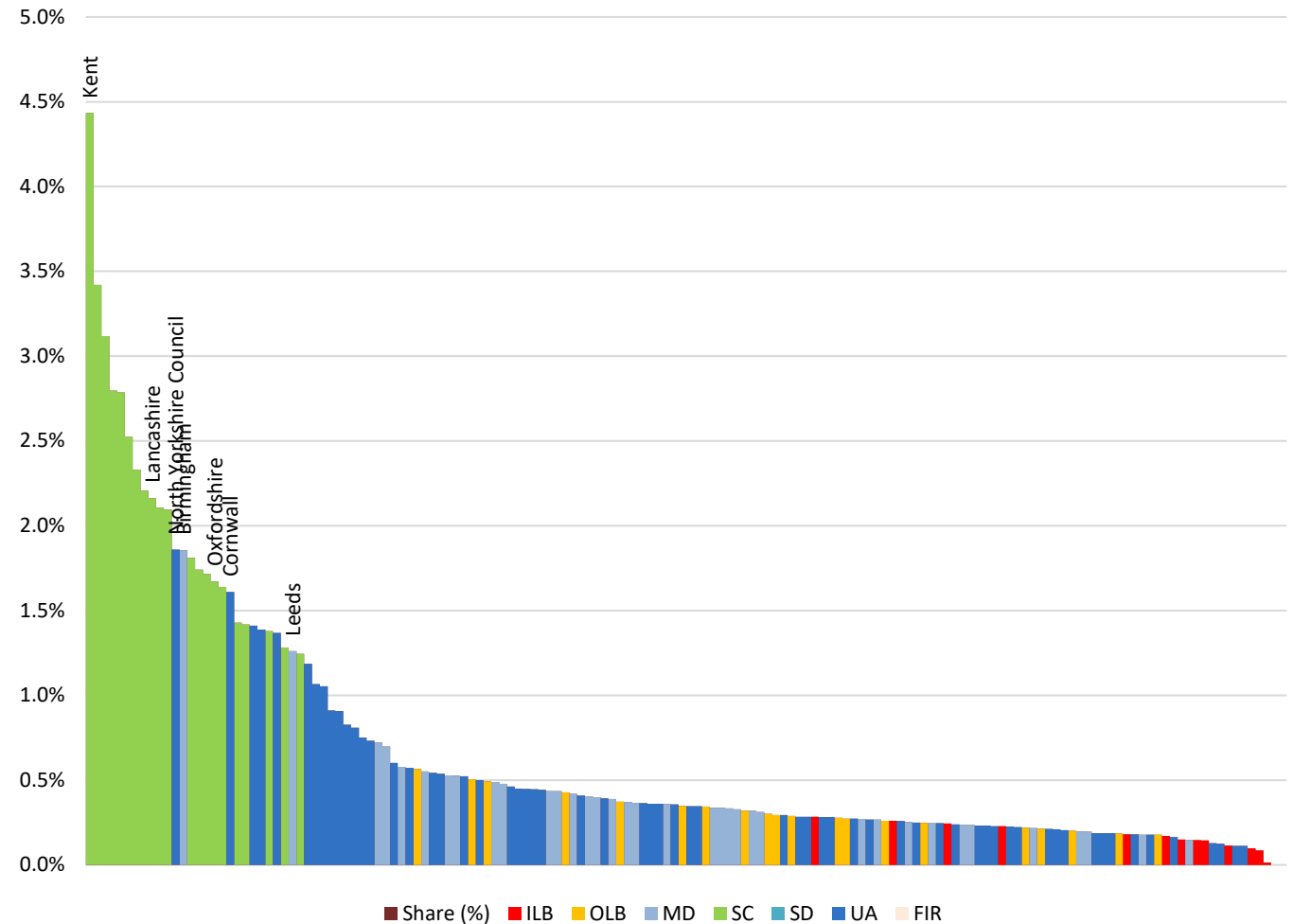
- New RNF for temporary accommodation and homelessness within the SFA
- Existing funding within SFA plus 45% of HPG (total value = £1.0bn)
- Homelessness: total Housing Benefit and Universal Credit claimants
- Temporary accommodation: actual TA numbers (which “has as strong correlation with historic TA spend”)
- Particularly high demand in London (70% of TA RNF), followed by other urban areas
- Few shire districts benefit, the only ones being: Basildon, Crawley, Eastbourne, Epsom and Ewell, Harlow, Hastings, and Worthing
- Unusual for actual activity data to be used in a funding formula (usually a proxy indicator would be identified); not a methodology that can be repeated



# Home-to-school transport

- Mainstream HTST is based on the number of pupils and the distance travelled (capped at 20 miles).
- For SEND HTST, there is a proxy formula based on anticipated number of pupils with EHCPs, and the average distance travelled
- Challenge why the distances are capped at 20 miles, and what the impact is on individual authorities (large, sparse counties could be disadvantaged)
- No measure of demand – deprivation? affluence?

Chart 11 - Home-to-school transport (HTST), share of RNF (%)



# Foundation Formula

- **Population-weighted IMD score.** Based on the 2019 IMD, which will be updated for the 2025 IMD
- **Area Cost Adjustment (ACA)**
- **Non-resident population.** Uplift for commuters and domestic visitors.
- We have not been able to reproduce the RNFs but can infer the IMD and non-resident elements – both appear to have high and largely offsetting weightings
- **Non-resident population:** same weighting for residents and non-residents (total number divided by 365)
- **Commuters:** based on gross numbers per 2021 Census (“it may poorly reflect post-pandemic commuting patterns”). Data does look odd and is likely to severely understate commuter numbers. Alternative?

Chart 12a - Foundation Formula (upper tier) (impact of IMD and non-resident population top-ups)

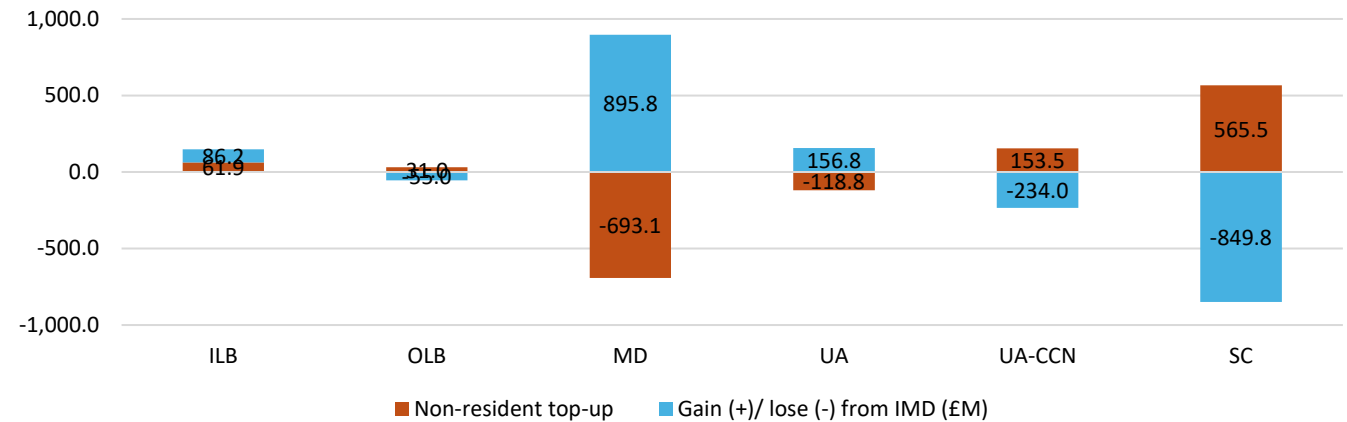
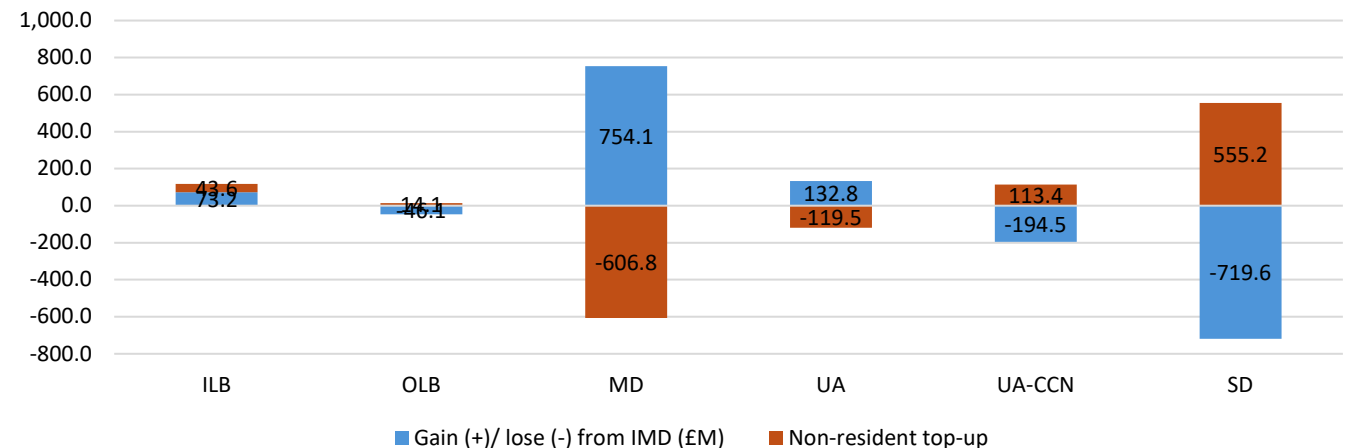


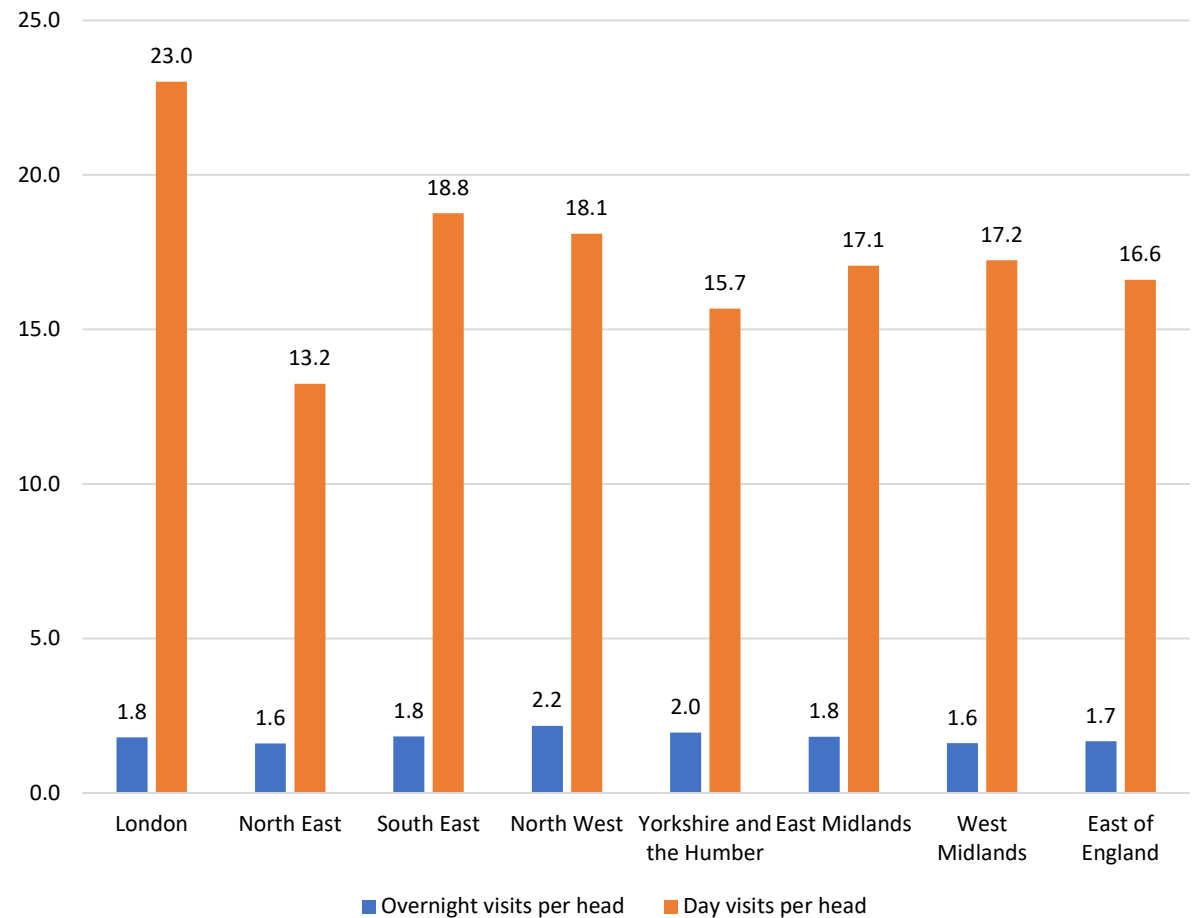
Chart 12b - Foundation Formula (lower tier) (impact of IMD and non-resident population top-ups)



# Foundation Formula – visitors

- Visitor numbers sourced from Visit Britain survey
- Data is available at county level – so not sure how this has been converted to local authority
- Day visitors very high in London, but lower overnight visits (analysis of foundation formula non-resident elements suggests Westminster is getting an uplift that is only just larger than, say, West Sussex)
- Weighting of overnight versus day visitors?
- Very high overnight visitors (per head) in tourist destinations: Cornwall 7.4 per head, Devon 3.6, North Yorkshire 4.6, Cumbria 5.4, Somerset 3.5, Isle of Wight 3.5
- North Yorkshire, Cumbria and Norfolk also have very high levels of day visitors (~25+ day visits per head)
- Hertfordshire, Northern Lincolnshire and Tees Valley have the lowest overnight and day visits per head
- Foreign visitors excluded entirely because data is poor – we need to see the data

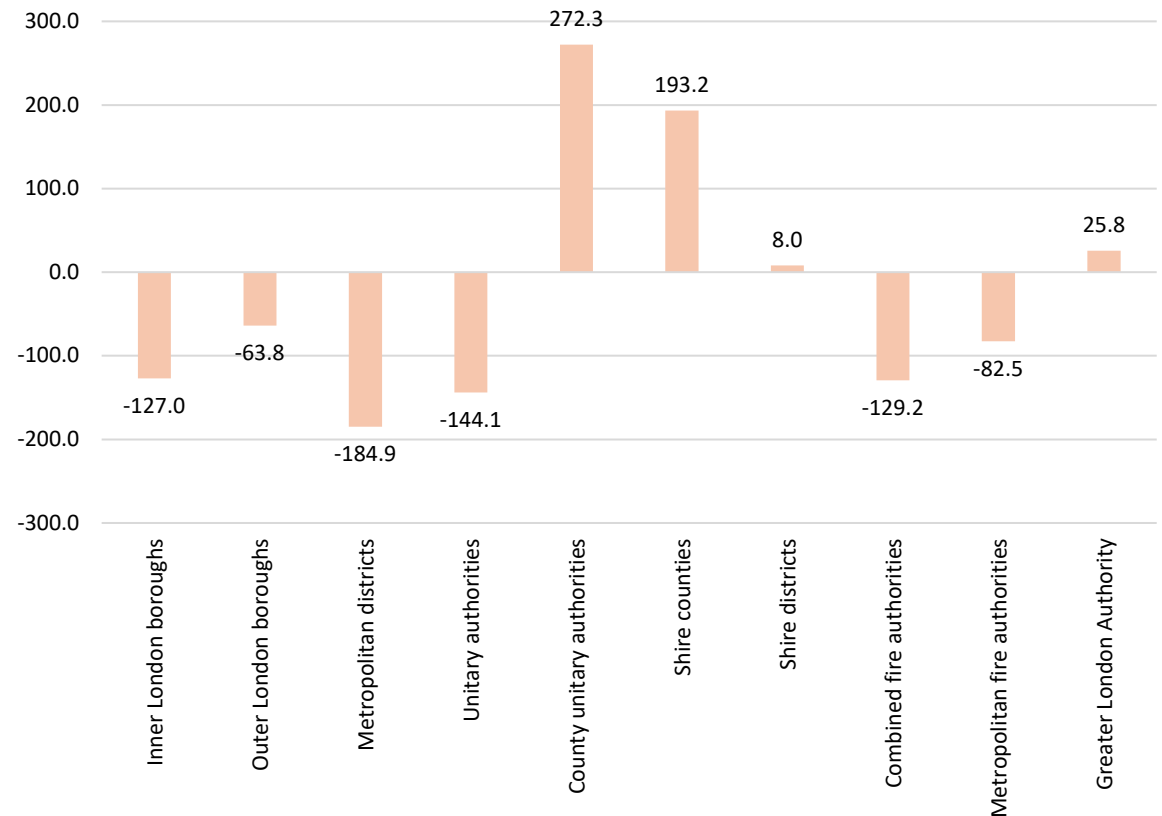
Day and Overnight Visits, by region (visitors per head)



# Area Cost Adjustment (ACA)

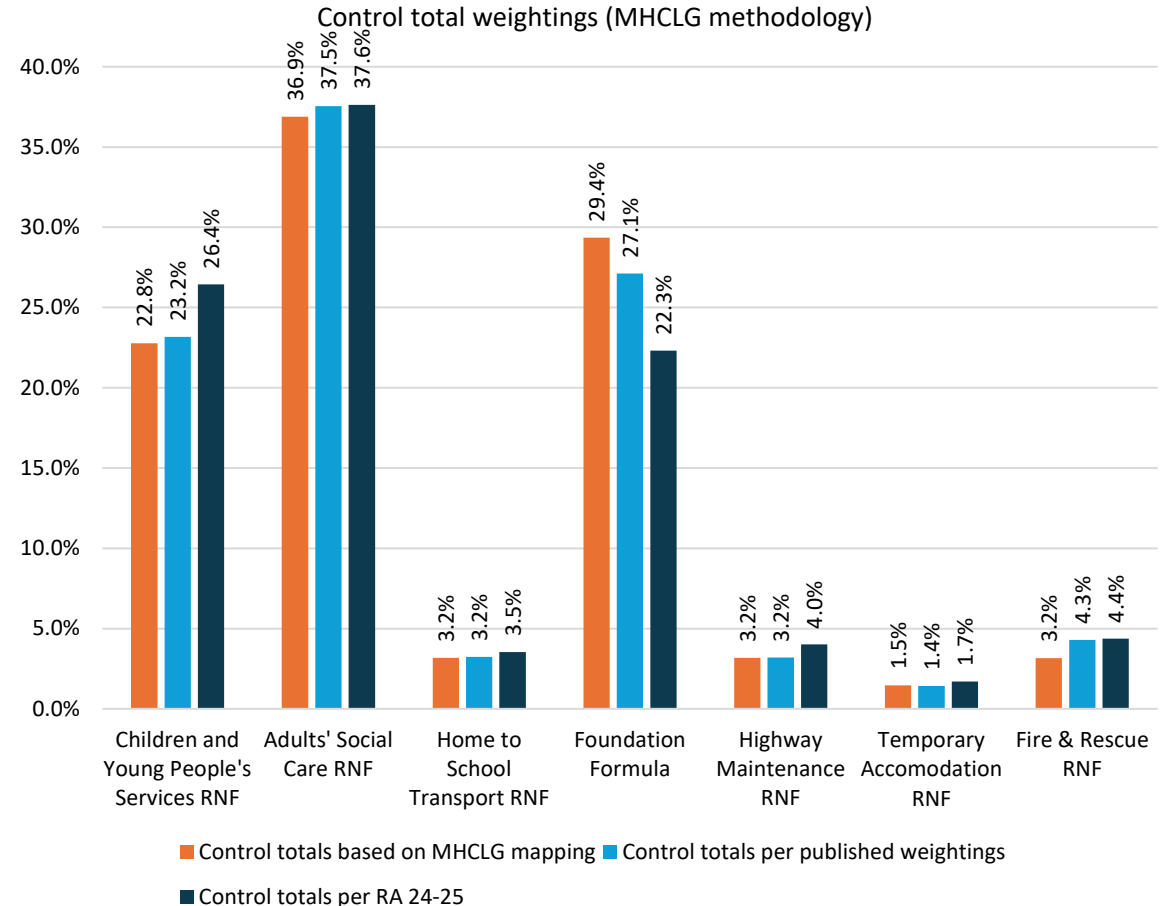
- **Accessibility Adjustment** – new, based on travel times. Largely accepted as a replacement for sparsity and density (distributes less funding for both, but much less for density)
- **Remoteness Adjustment** – much more controversial. To compensate authorities with less access to markets, or where markets are less functional. They are typically remote authorities, e.g. Westmorland and Furness, Cornwall
- “compelling theoretical case” – but asking for case studies and evidence
- **Single authority ACAs** – new feature but potentially sets boundaries for local labour market too narrowly
- Major gainers from new approach to ACAs are those with (we assume) high remoteness uplifts (Cornwall +£74m, Norfolk +£27m, Devon +£31m, Westmorland +£26m)
- Birmingham, Leicester and Greenwich losing the most in cash terms (between £20m and £30m). Westminster still losing (-£2.6m) despite having its own ACA

Chart 13 - Impact of using 26-27 ACA compared to 13-14 ACA



# Weighting

- One of the most important factors affecting funding distribution
- Methodology uses current spending patterns to set the weightings (assume 2023-24 RO has been used)
- This approach is “neutral” and technically correct (same as 2018 consultation paper)
- **Split between upper and lower tier Foundation Formula** – uses expenditure in two-tier areas only, not national spending patterns. MHCLG split implies lower-tier share of 12.4%, whereas using all expenditure implies 11.8%
- **Uses 2023-24 outturn, we had used 2024-25 RA.** Later years will shift weightings towards social care, and children’s, in particular
- **“Other education and community budgets”** (RO1, £4.4bn) is allocated to foundation formula then split, but is entirely upper-tier spending

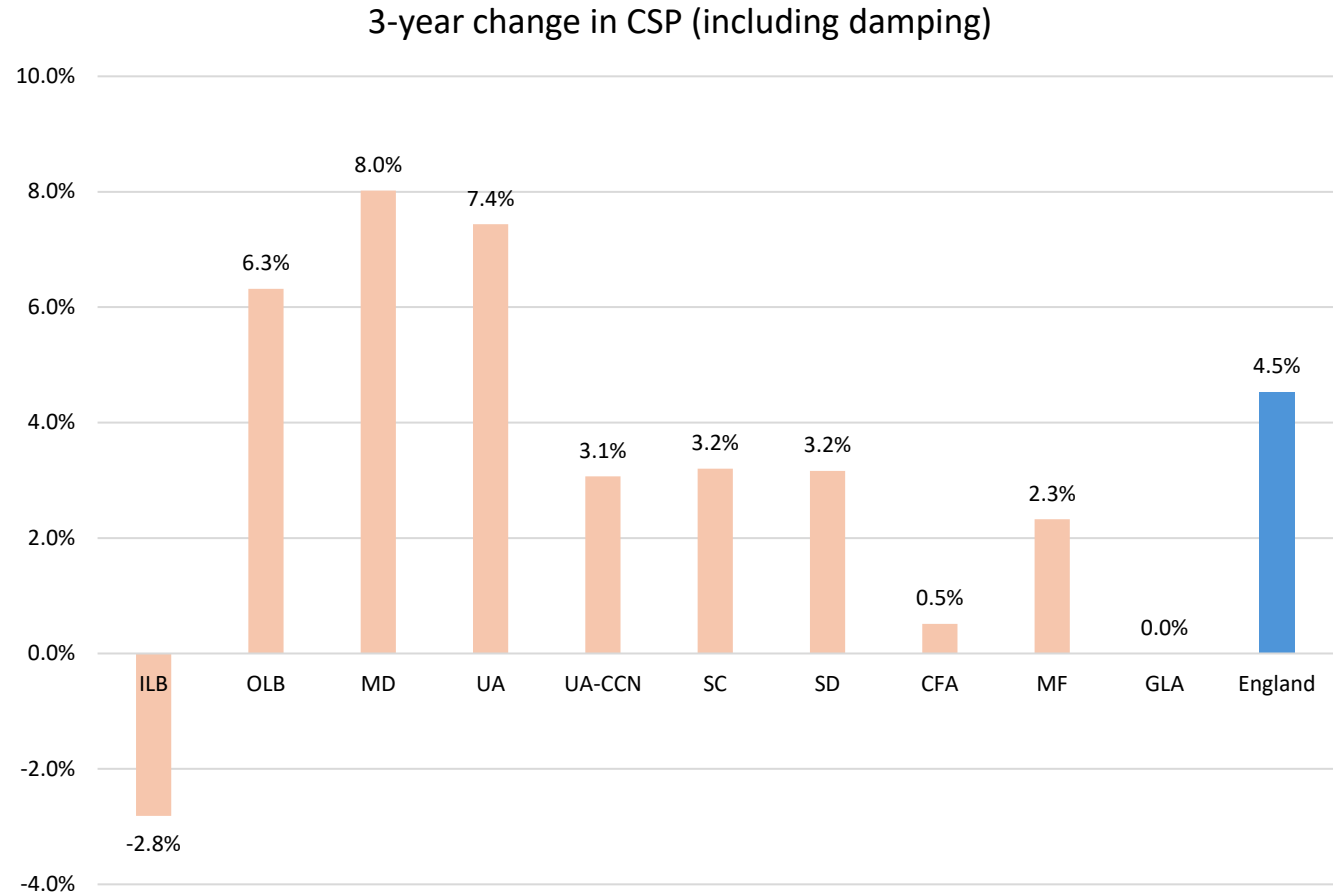


# Council tax equalisation

- Unlikely to shift
- Big win for metropolitan authorities
- Assumed Band D
- Collection rate
- Taxbase growth
- Working-age LCTS adjustment – now using the formula provided in the consultation paper
- Second homes premium income (not now double counted)
- Potential for October 2025 CTB1 to be used (make sure all discounts are representative)

# Council tax underpins funding settlement

- Roughly one-third (35%) of the proposed settlement is dependent on council tax growth
- 4.5% increase in resources over 3 years without any uplift in council tax revenues – compared to 12.8% with council tax
- Proportions will change if there is more grant increase within CSP (per SR25)
- Some types of authority more affected than others (shire counties and county unitaries in particular)
- Major focus of media coverage



# Accounts Analysis

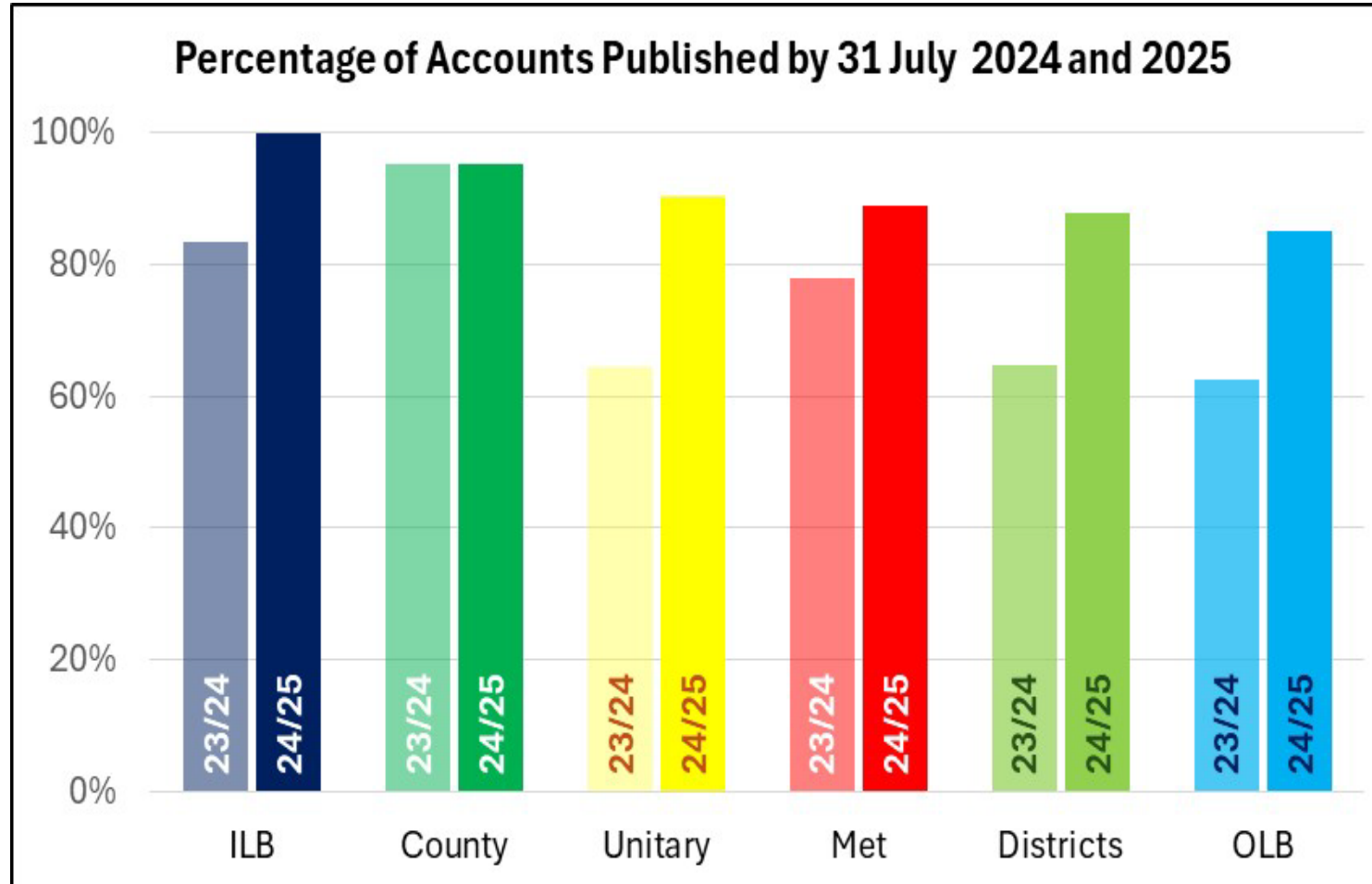
2024/25

# Published Accounts stats

	Published Accounts Tracker								
	2023/24				Percentage		2024/25		
	Not published	Draft	Final	Disclaimer	Published	Finalised	Not Published	Published by 31 July	Percentage Published
ILB	0	0	8	4	100%	100%	0	12	100%
OLB	0	4	3	13	100%	80%	3	17	85%
Met	1	1	19	15	97%	94%	4	32	89%
Unitary	1	6	25	30	98%	89%	6	56	90%
County	0	0	11	10	100%	100%	1	20	95%
Upper Tier	2	11	66	72	99%	91%	14	137	91%
Districts	2	10	52	100	99%	93%	20	144	88%
<b>Total England</b>	<b>4</b>	<b>21</b>	<b>118</b>	<b>172</b>	<b>99%</b>	<b>92%</b>	<b>34</b>	<b>281</b>	<b>89%</b>

Information as at 6 August 2025

# Published Accounts stats



- 89% of accounts published compares favourably to 70% at the same point last year.
- Only 34 sets of accounts outstanding and only 3 from 2023/24.
- Provides opportunity to assess the financial health of local government.

### Aggregate Balance Sheet - Upper Tier (published to date)

<u>202324</u>	<i>Usable Reserves</i>	<u>202425</u>	<i>Change</i>
18,880,578	Usable Revenue Reserves	18,115,084	-4%
2,051,614	HRA Reserves	2,070,368	1%
1,587,535	Schools Balances	1,425,118	-10%
10,512,053	Usable Capital Reserves	10,331,172	-2%
<b>33,031,780</b>	<b>Total Usable Reserves</b>	<b>31,941,742</b>	<b>-3%</b>
	<i>Unusable Reserves</i>		
158,386,340	Equity Reserves (CAA+RR)	159,714,554	1%
361,228	Collection Fund Adj Acc	218,833	-39%
-1,598,179	DSG Deficit Adj Acc	-3,279,337	105%
-708,657	Other Unusable Reserves	-586,120	17%
<b>156,440,732</b>	<b>Total Unusable Reserves</b>	<b>156,067,930</b>	<b>0%</b>
<b>189,472,512</b>	<b>Net Assets (excl. pensions)</b>	<b>188,009,672</b>	<b>-1%</b>
-8,664,821	Pensions Reserve	-7,575,054	13%
<b>31,794,829</b>	<b>Current Resources</b>	<b>28,881,238</b>	<b>-9%</b>

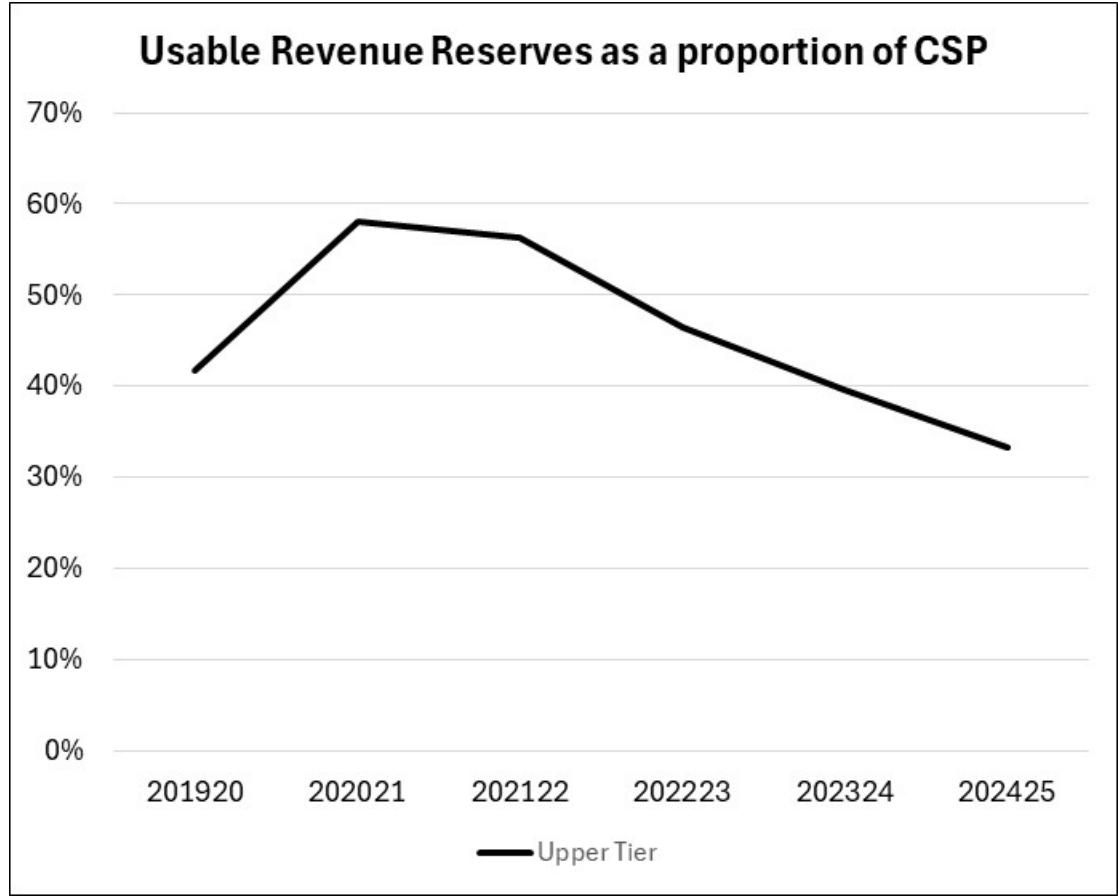
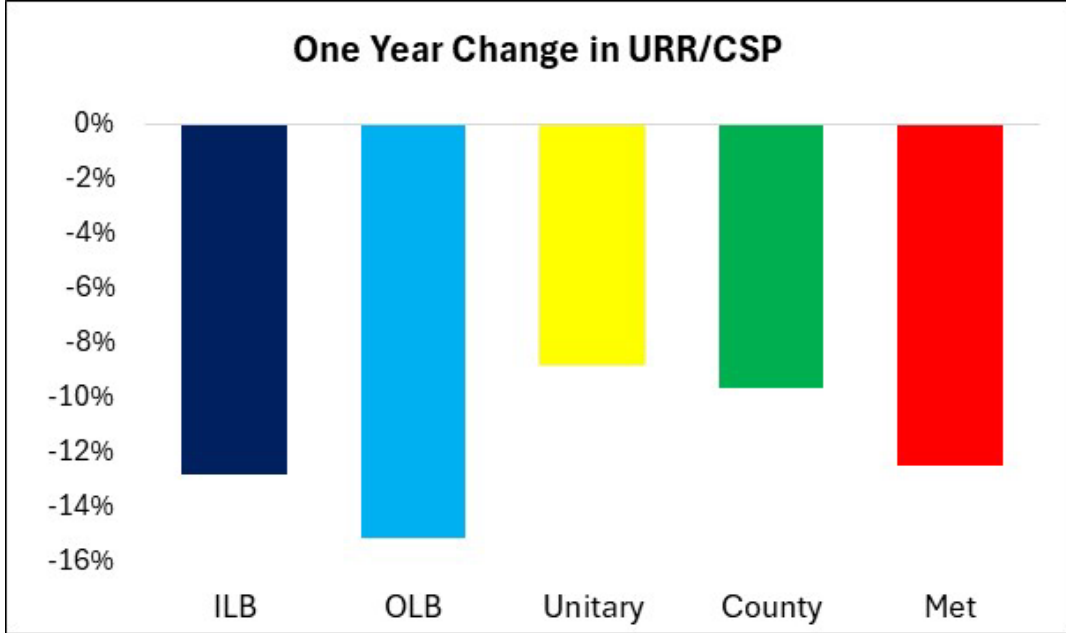
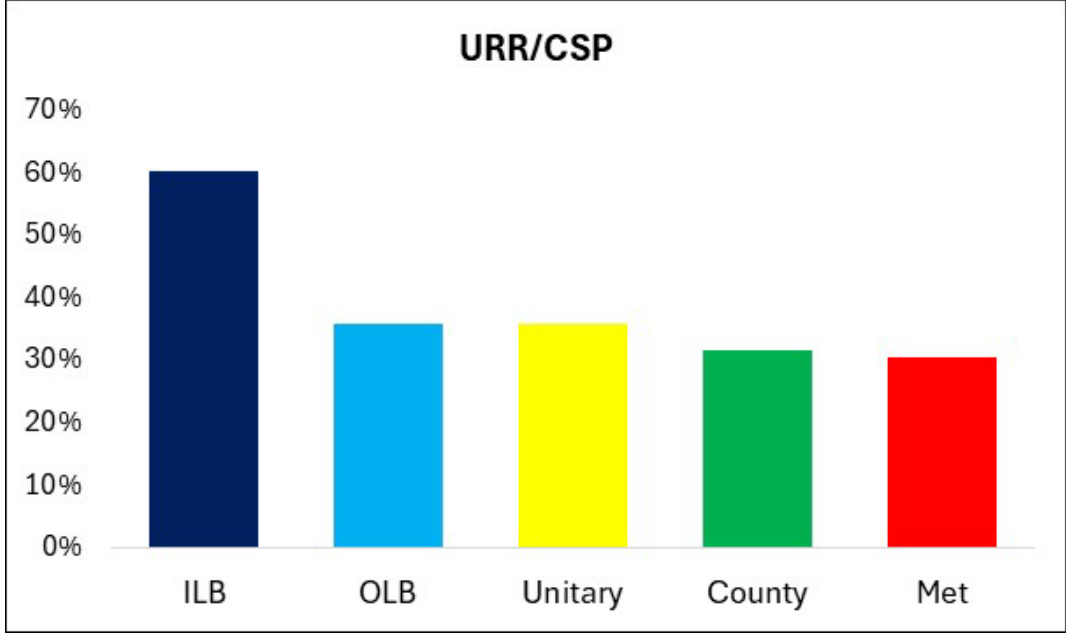
**URR down + DSG deficits up = Reduced Balance Sheet and significantly reduced resources.**

### Aggregate Balance Sheet - Districts (published to date)

<u>202324</u>	<i>Usable Reserves</i>	<u>202425</u>	<i>Change</i>
3,849,916	Usable Revenue Reserves	4,106,559	7%
933,214	HRA Reserves	894,232	-4%
2,379,563	Usable Capital Reserves	2,537,539	7%
<b>7,162,693</b>	<b>Total Usable Reserves</b>	<b>7,538,330</b>	<b>5%</b>
30,716,472	Equity Reserves (CAA+RR)	31,497,563	3%
14,574	Collection Fund Adj Acc	18,160	25%
473,339	Other Unusable Reserves	492,229	4%
<b>31,204,385</b>	<b>Total Unusable Reserves</b>	<b>32,007,952</b>	<b>3%</b>
<b>38,367,078</b>	<b>Net Assets (excl. pensions)</b>	<b>39,546,281</b>	<b>3%</b>
<b>7,177,267</b>	<b>Current Resources</b>	<b>7,556,490</b>	<b>5%</b>

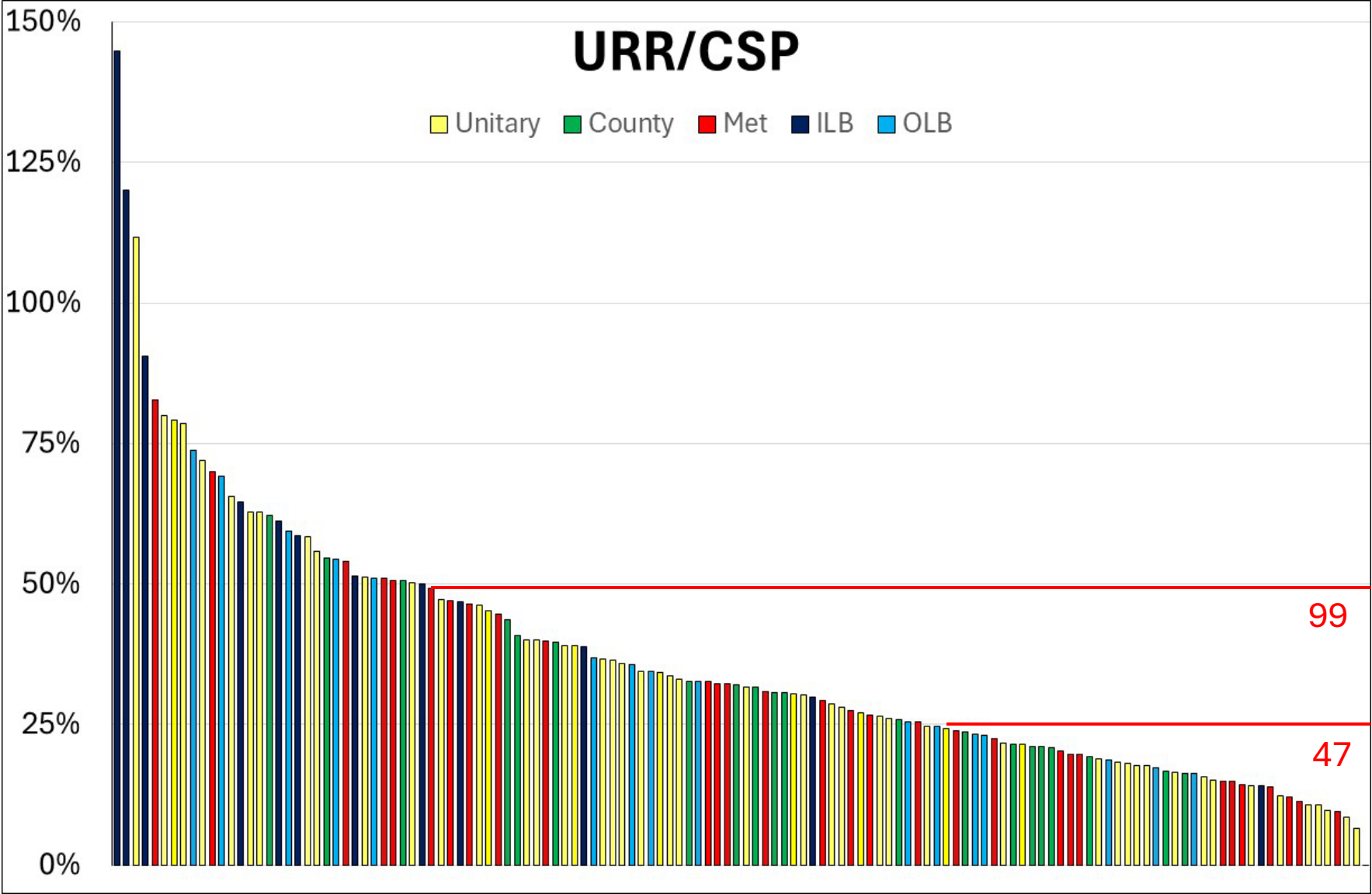
**URR up = Increased Balance Sheet and increased resources.**

# Usable Revenue Reserves



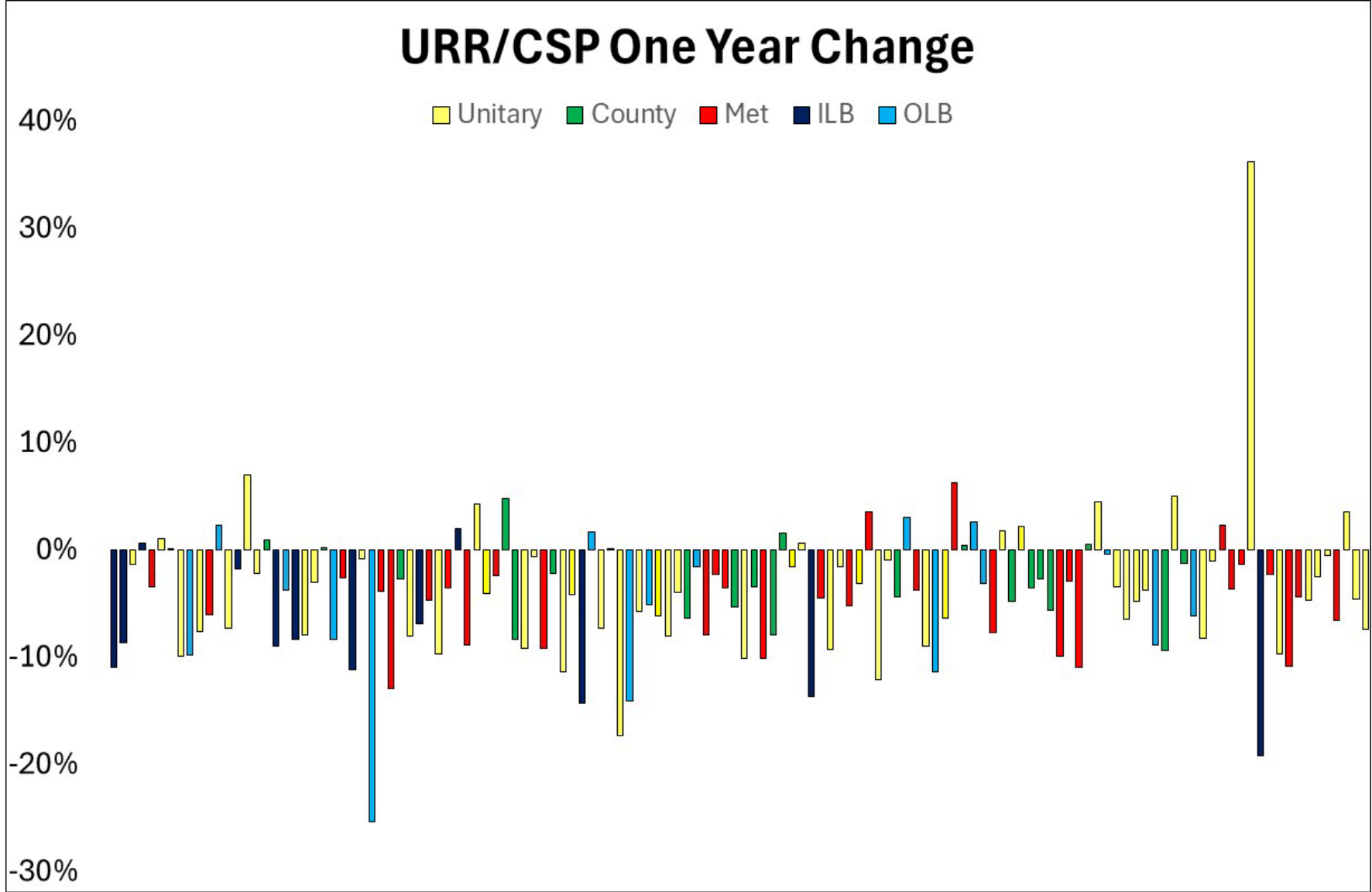
- Further reductions across upper tier authorities.
- Greater in London and worryingly high in Outer London.
- URR increased across districts.

# Usable Revenue Reserves – Upper Tier



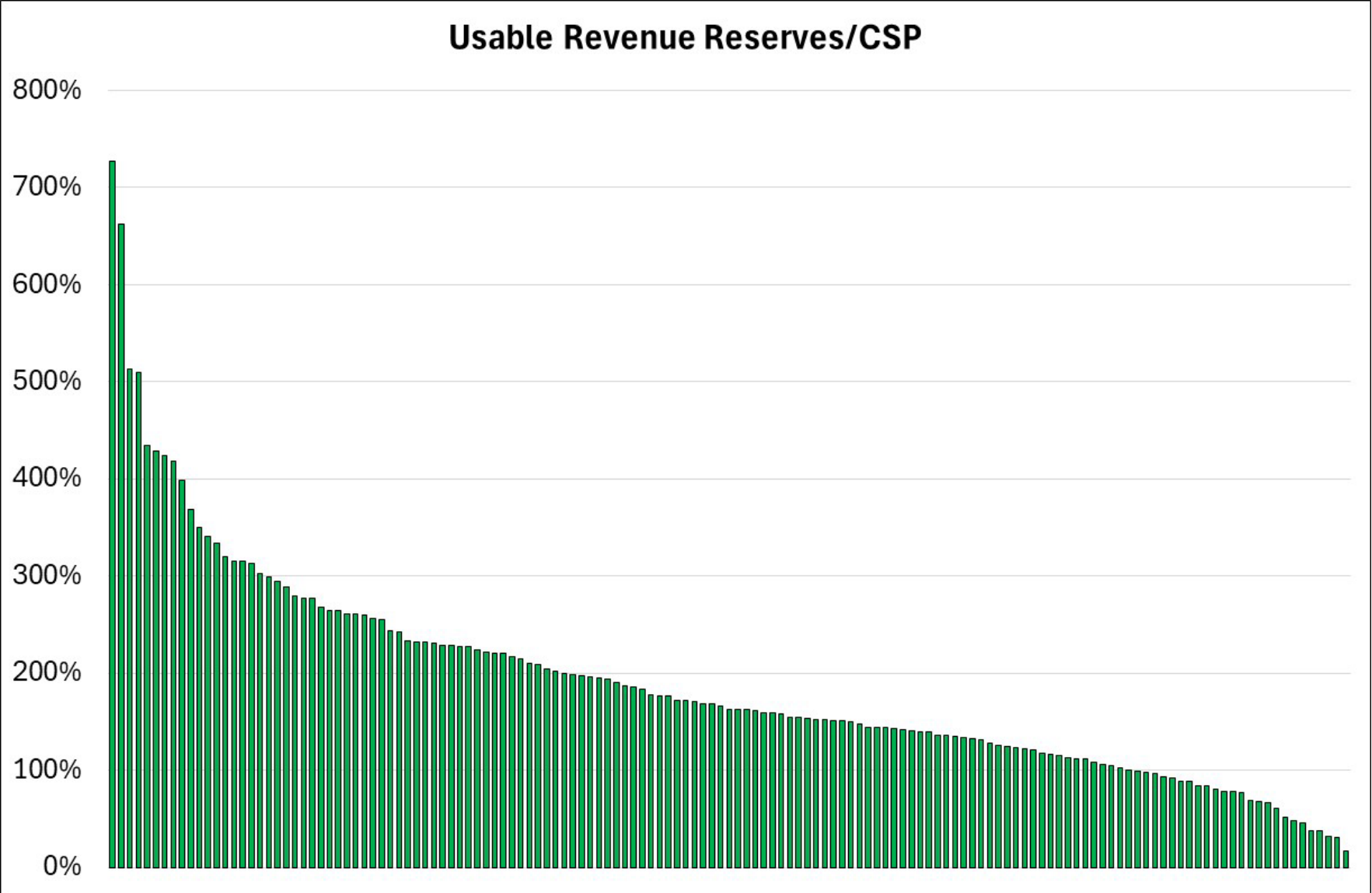
- 47 of 132 (36%) authorities have less than 3 months expenditure held in URR.
- 99 of 132 (75%) authorities have less than half a year's expenditure held in URR.

# Usable Revenue Reserves – Upper Tier



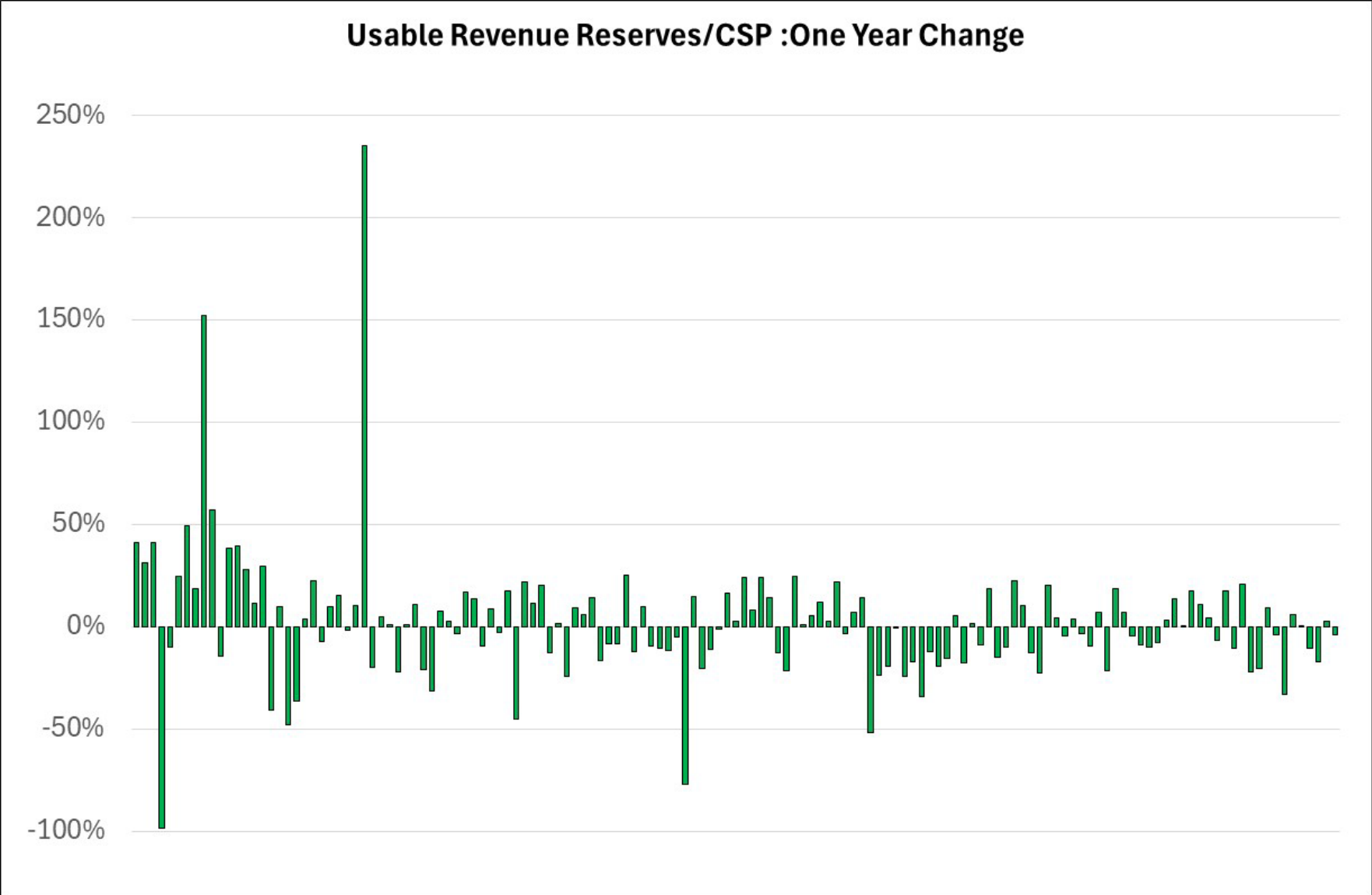
- 105 of 132 (80%) authorities had reduced usable revenue reserves during 2024/25.
- Some of the increases were due to Exceptional Financial Support (for example Windsor and Maidenhead - £62m).

# Usable Revenue Reserves – Districts



- Significantly higher levels of URR across districts. Though significant range of URR levels.
- Due to business rates growth income?
- Likely to reduce following Funding Review 2.0.

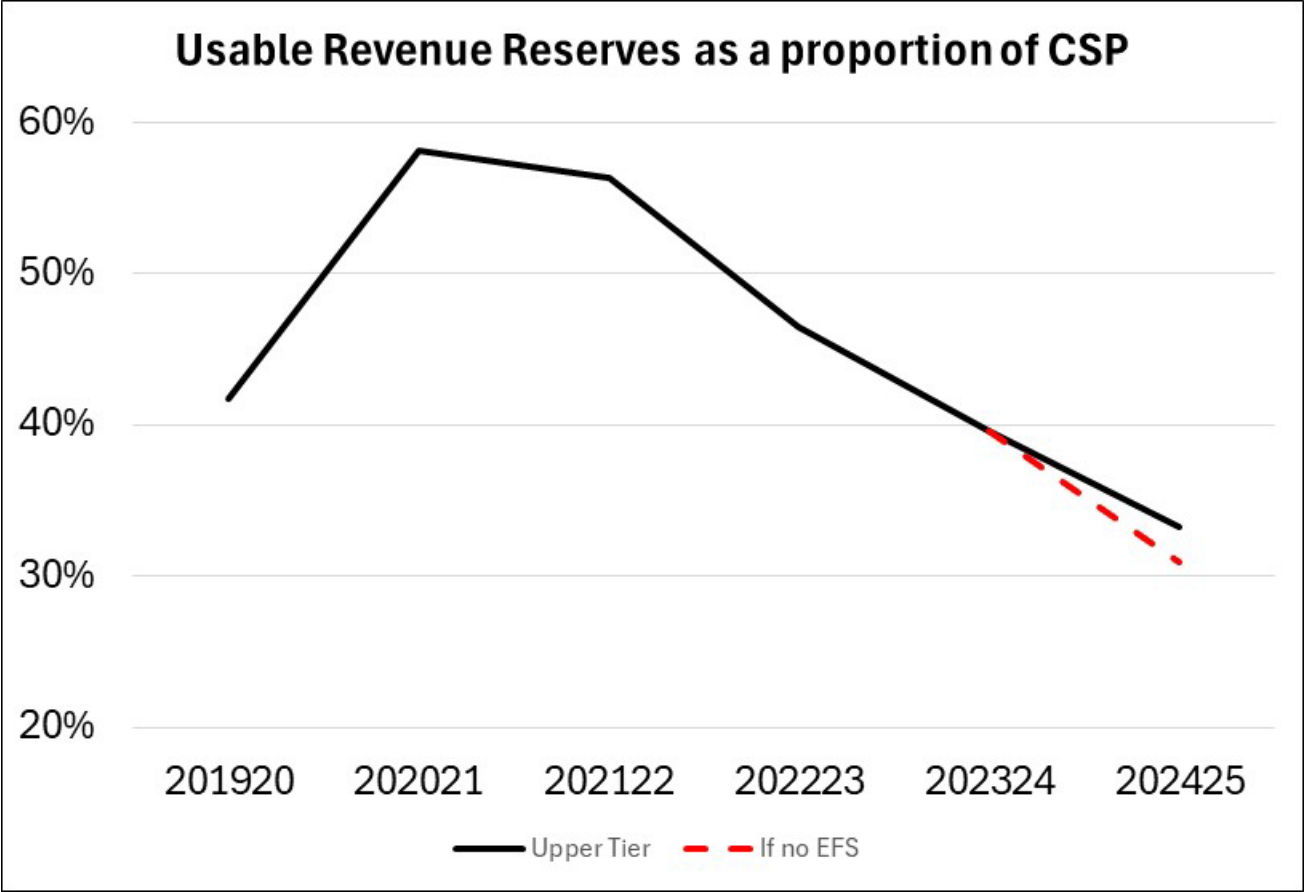
# Usable Revenue Reserves – Districts



- 65 / 142 (46%) of districts saw reductions in Usable Revenue Reserves during 2024/25.
- Largest increase at Woking is due to Exceptional Financial Support.

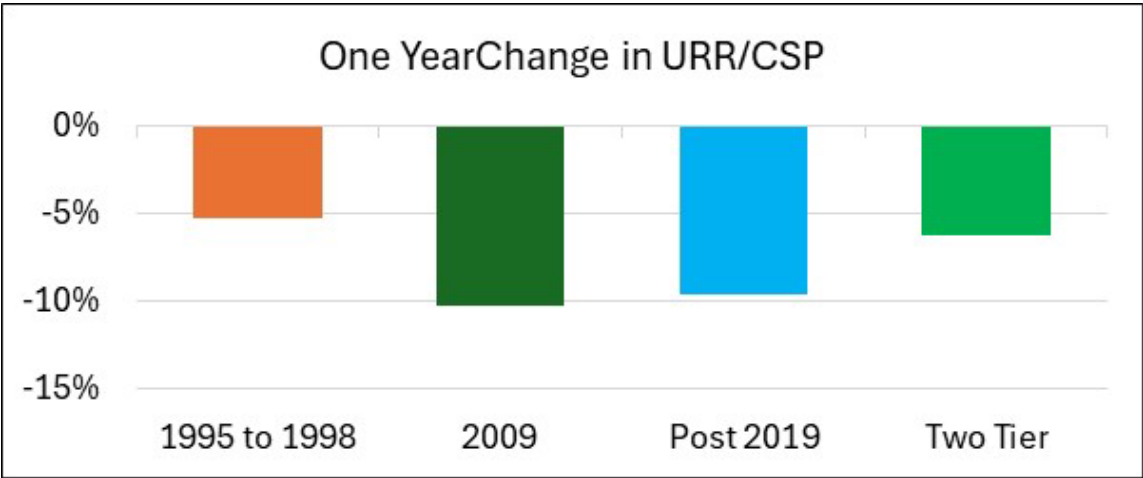
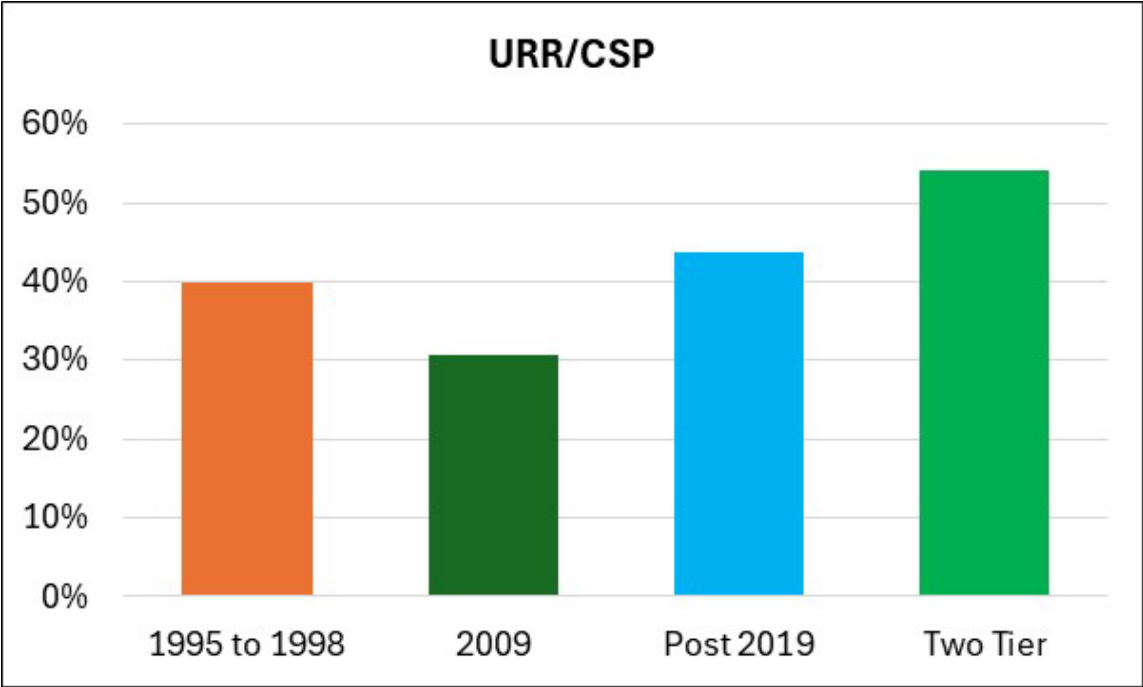
# Usable Revenue Reserves and Exceptional Financial Support

	Granted	Applied
Birmingham	490.000	199.400
Bradford	140.000	120.000
Croydon	51.000	51.000
Eastbourne	3.000	3.000
Enfield	20.000	20.000
Halton	20.800	10.000
Haringey	28.000	10.000
Havering	32.500	30.400
Medway	23.171	20.239
Middlesborough	13.400	2.443
Newham	16.000	0.000
North Northamptonshire	3.900	0.000
Nottingham	41.413	7.737
Shropshire	26.900	26.900
Solihull	15.615	15.615
Somerset	76.900	44.766
Southampton	121.580	56.634
Stoke-on-Trent	21.700	21.370
West Berkshire	13.000	13.000
West Northamptonshire	6.600	0.000
Windsor & Maidenhead	62.000	62.000
Wirral	20.000	18.641
Woking	93.600	89.557
<b>Upper District</b>	<b>1341.079</b>	<b>822.702</b>
<i>Upper District</i>	<i>1244.479</i>	<i>730.145</i>
<i>District</i>	<i>96.600</i>	<i>92.557</i>



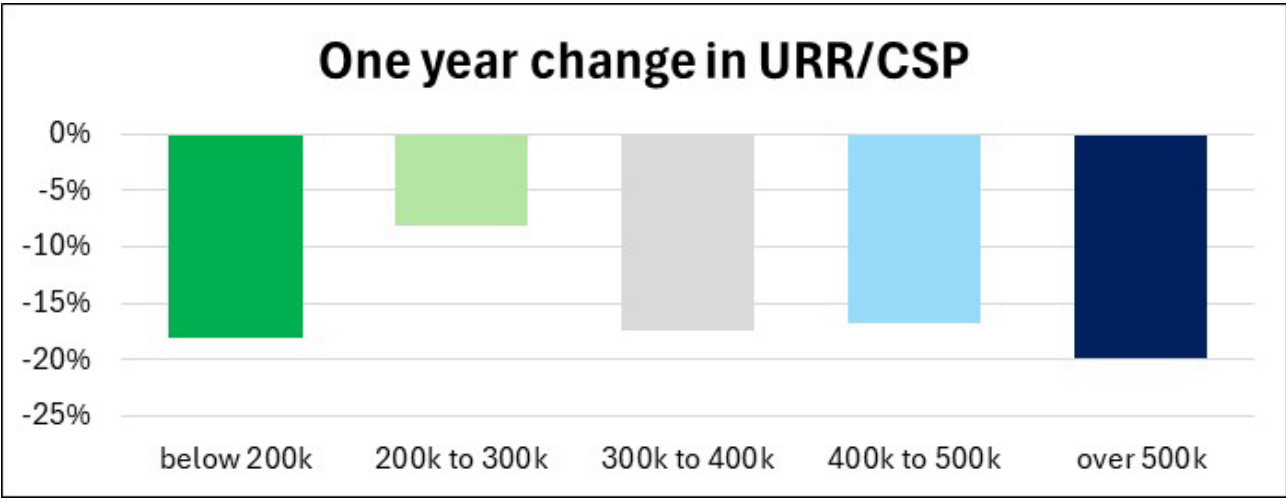
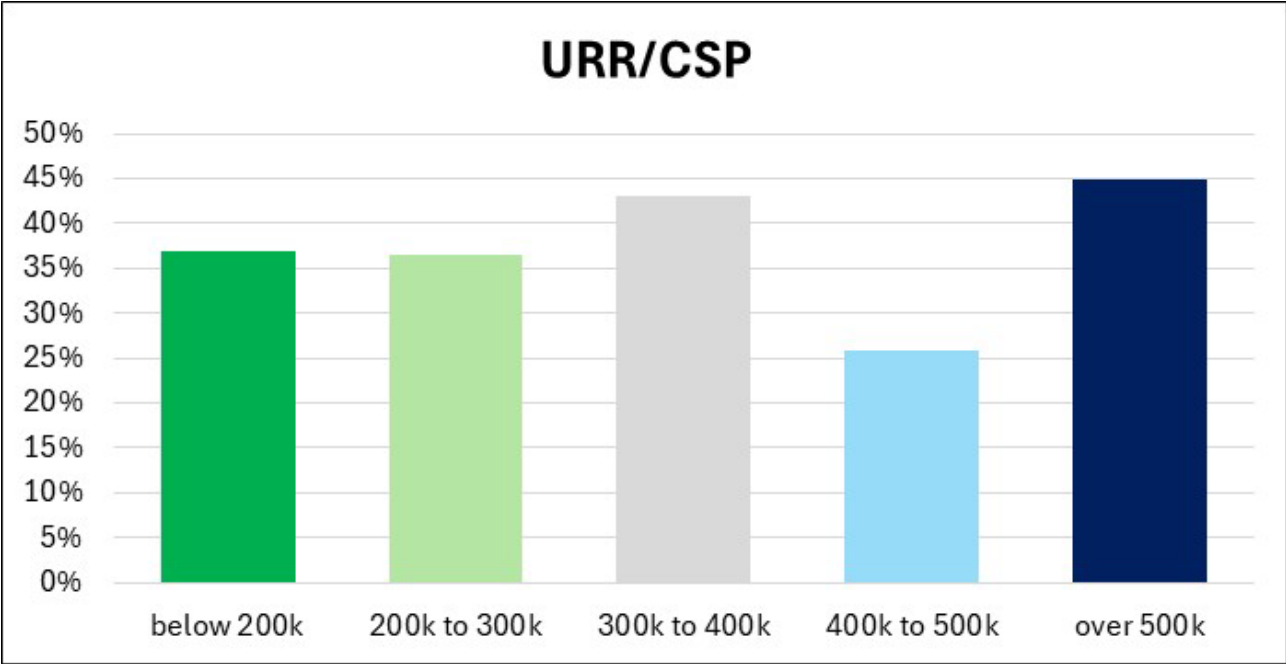
- Reduction in URR lower in 24/25 than previous two years amongst upper tier authorities.
- But only because of EFS.
- If no EFS, then further £730m reduction in URR (red line).

# Local Government Reorganisation



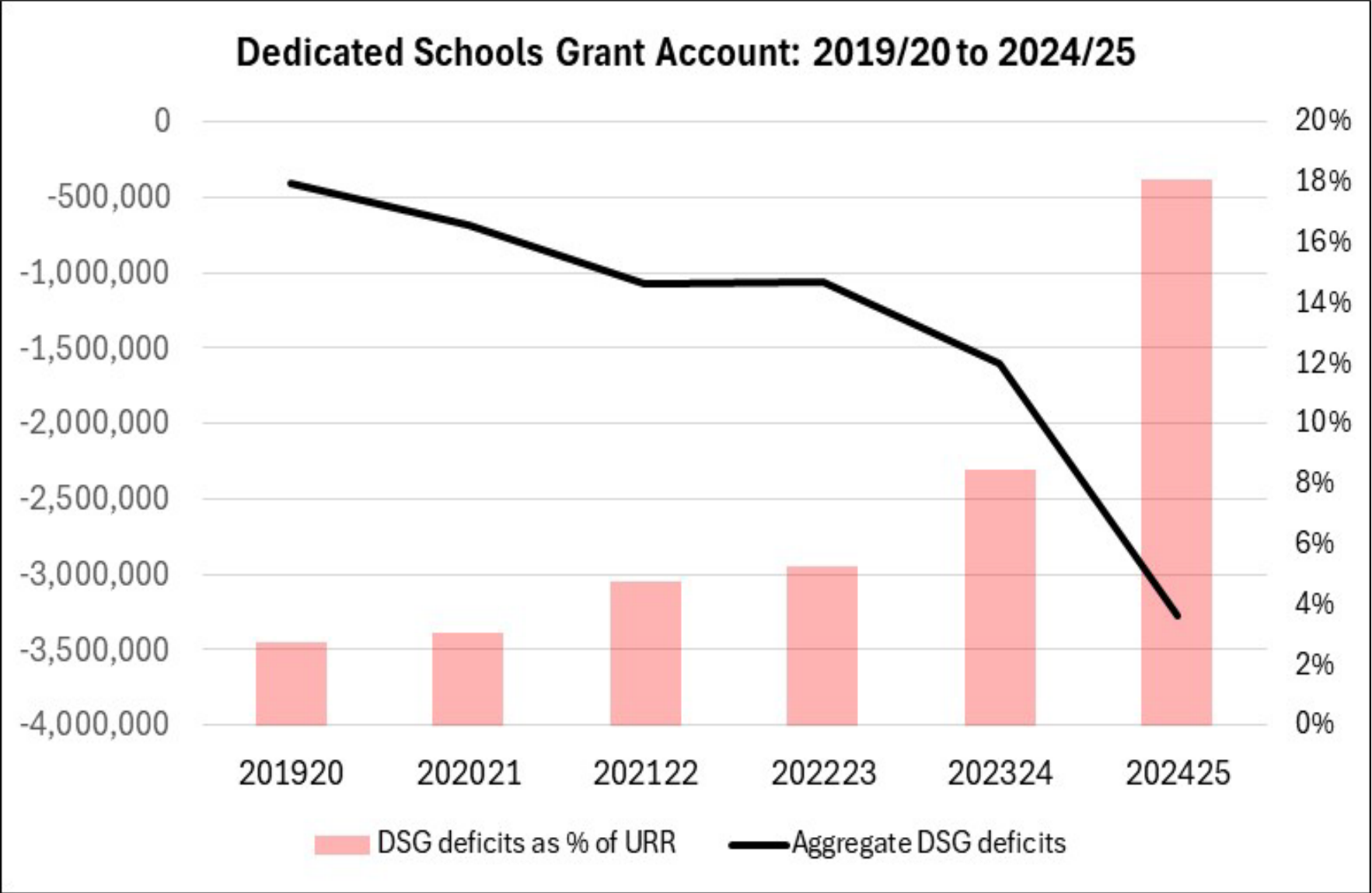
- Unitaries established in 2009 have lower levels of URR than those established in the 1990s and since 2019.
- Newer authorities have depleted URR more quickly in 2023/24.
- Two tier areas (Counties and districts aggregated) have higher levels of URR than the all existing unitaries and a relatively low levels of depletion.

# Local Government Reorganisation



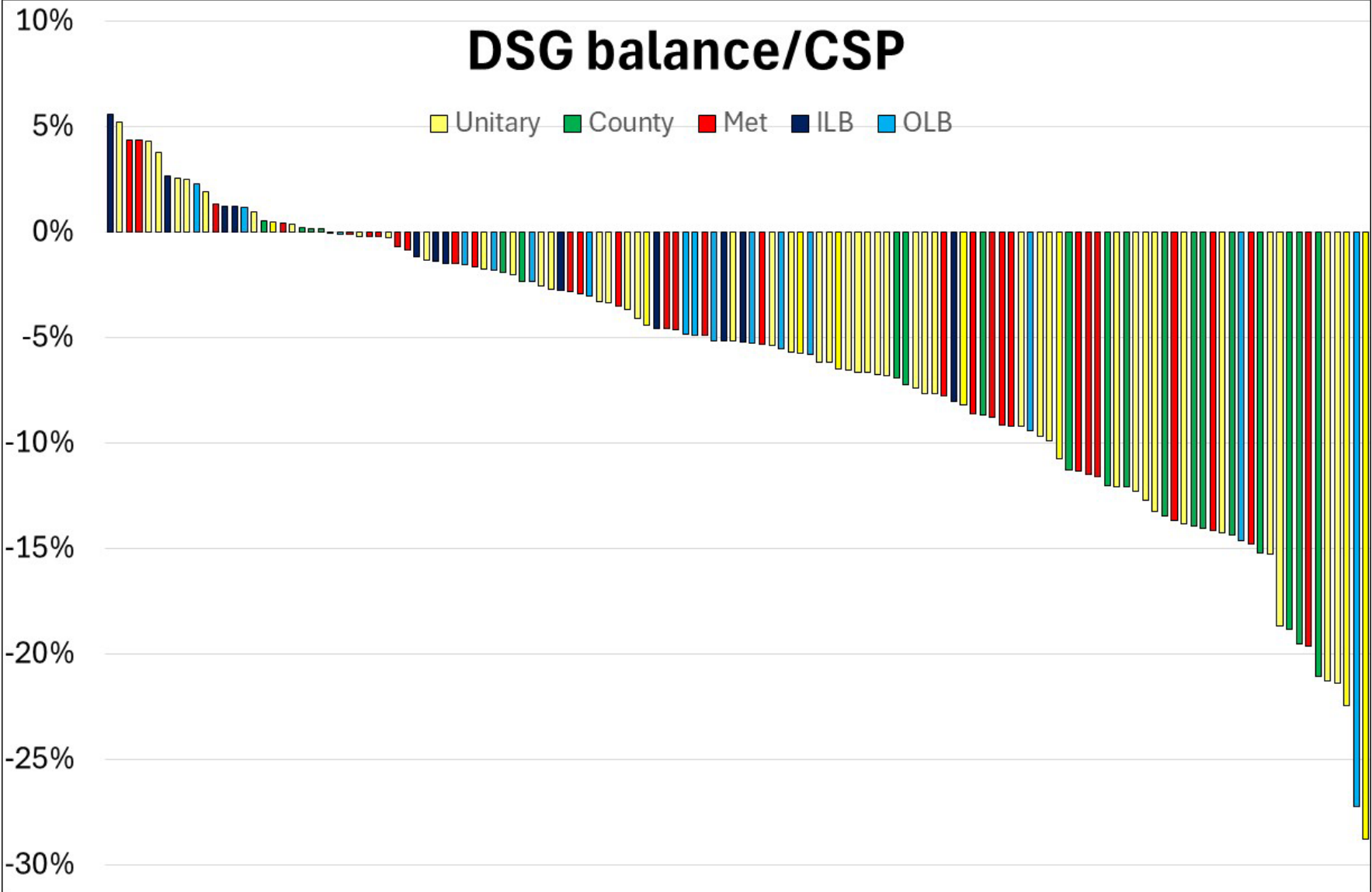
- No conclusive correlation between unitary size and level of Usable Revenue Reserves.
- Some signals that the largest (over 500k) and smallest (under 200k) are depleting reserves more quickly than those with populations between 200k and 400k.

# Dedicated School Grants Deficits



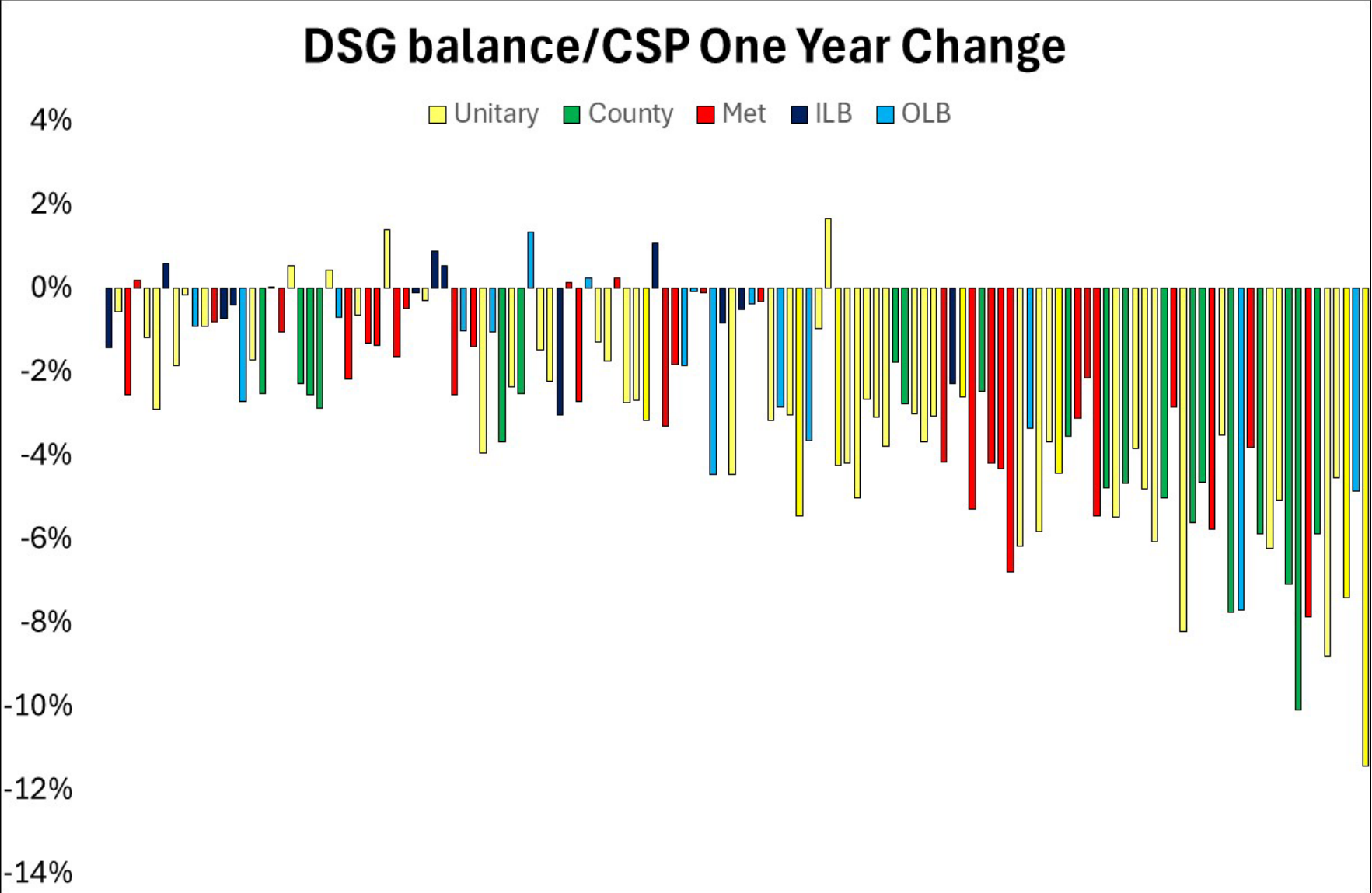
- Dedicated Schools Grant deficits accelerated in 2024/25.
- From £1.6b to £3.3bn.
- More worryingly, deficits as a proportion of URR accelerating exponentially.

# Dedicated School Grants Deficits



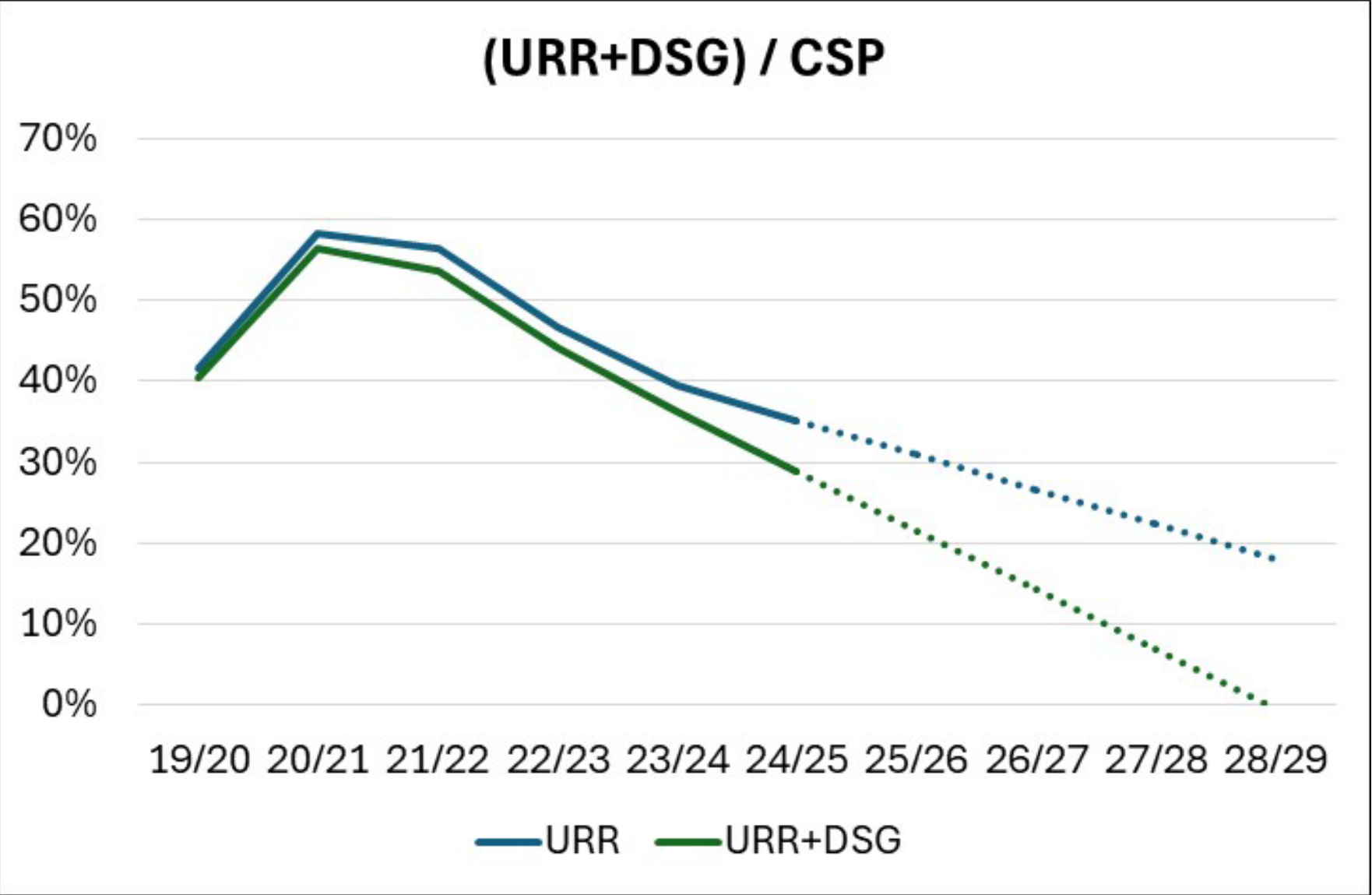
- 109 of 132 (83%) authorities now have a DSG deficit.

# Dedicated School Grants Deficits



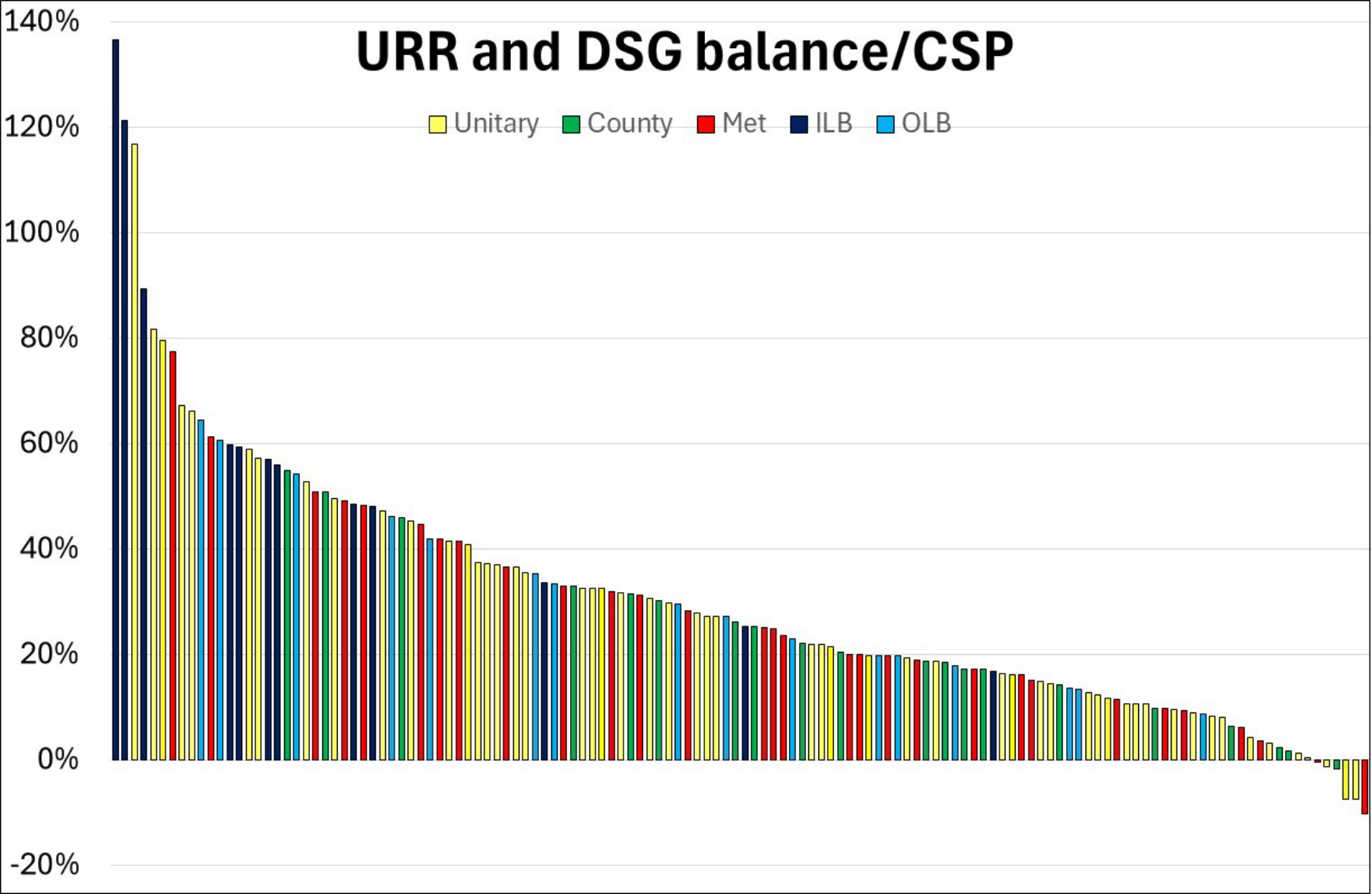
- 118 of 132 (89%) authorities saw and increase in their DSG deficit during 2024/25.
- In aggregate, deficits increased by 105% or £1.7bn in 2024/25.

# Usable Revenue Reserves + Dedicated School Grants Deficits



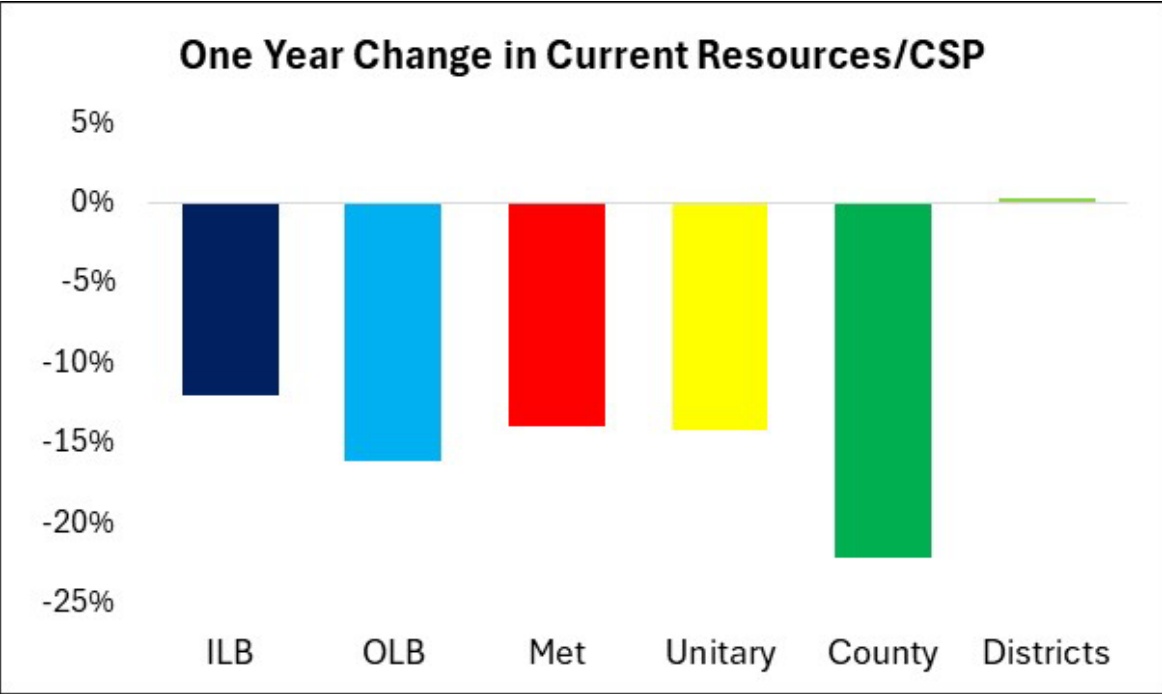
- If URR fall and DSG deficits increase at the same rates as in 2024/25, and nothing else happens, then in aggregate, upper tier authorities will have zero reserves by 2028/29.

# Usable Revenue Reserves + Dedicated School Grants Deficits

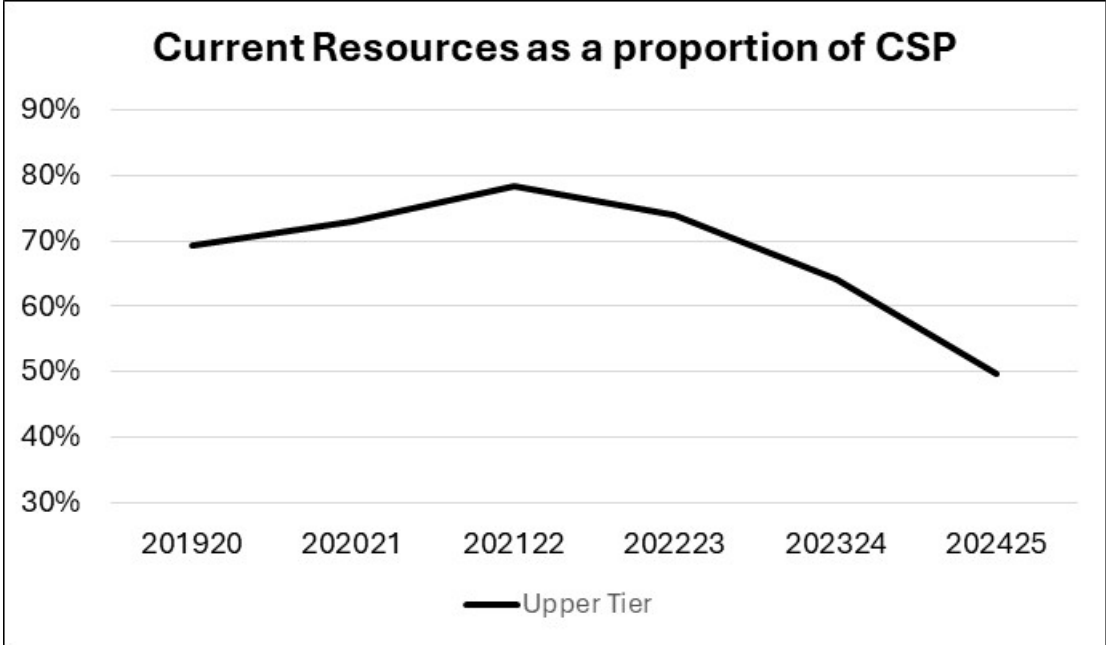
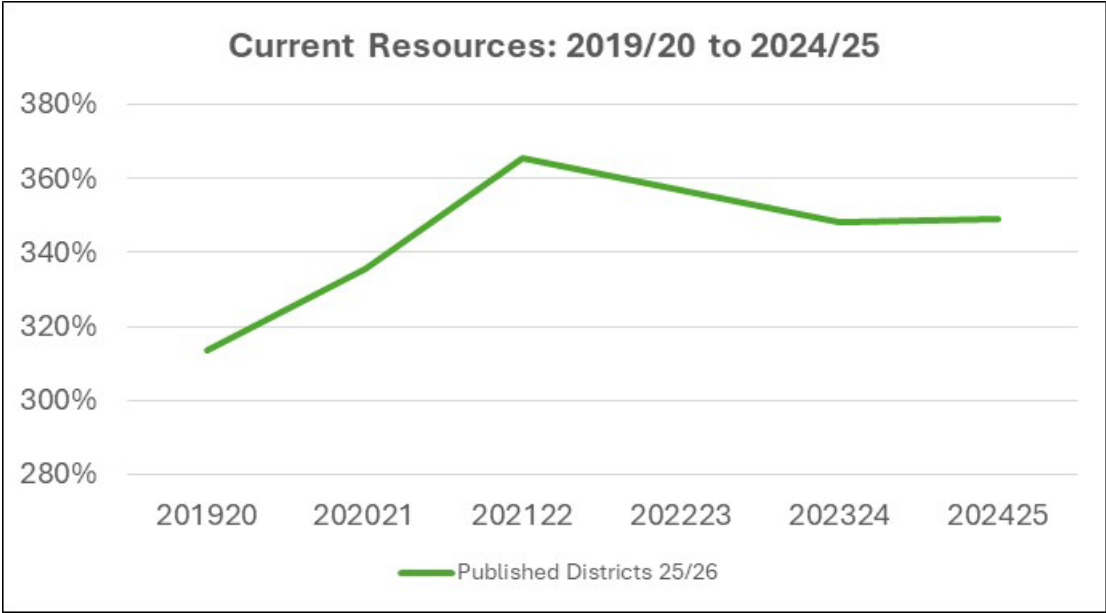


- There are already six authorities which have DSG deficits which are greater than their level of Usable Revenue Reserves.
- Suspect that this will increase to eight when remaining authorities publish their accounts.
- Autumn policy statement on SEND/DSG – will Government resolve the crisis?

# Current Resources



- Current resources combines all usable reserves (revenue and capital) with DSG deficits (or surpluses) and the Collection Fund Adjustment Account balance.
- Significantly reducing across upper tier but flat for districts.
- Knock on impact for capital health.



# Capital Health

## Aggregate Balance Sheet -Upper Tier (published to date)

<u>202324</u>		<u>202425</u>	<u>Change</u>
98,167,022	Capital Finance Requirement	104,322,400	6%
10,038,354	Short Term Borrowing	12,920,188	29%
56,192,346	Long Term Borrowing	57,718,629	3%
66,230,700	External Borrowing	70,638,817	7%
31,936,322	Internal Borrowing	33,683,583	5%
3,183,399	Interest Payable	3,397,696	7%
-1,502,472	Interest Receivable	-1,452,901	-3%
1,680,927	Net Interest	1,944,795	16%
38%	Debt Gearing	40%	

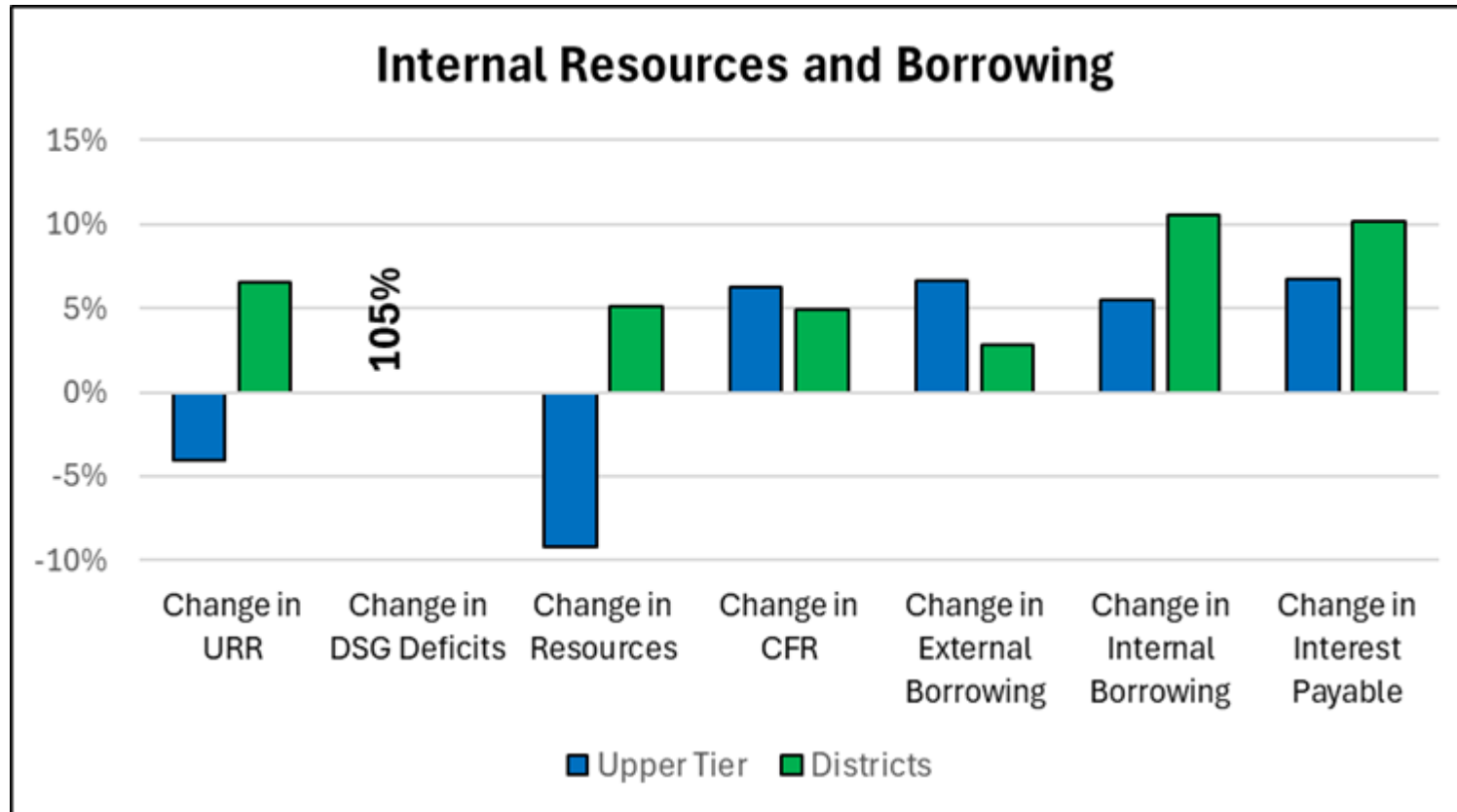
**Lower levels of current resources places pressure on internal borrowing position meaning external borrowing increases more resulting in higher interest costs**

## Aggregate Balance Sheet - Districts (published to date)

<u>202324</u>		<u>202425</u>	<u>Change</u>
17,881,471	Capital Finance Requirement	18,727,165	5%
2,406,046	Short Term Borrowing	2,627,365	9%
10,673,642	Long Term Borrowing	10,790,973	1%
13,079,688	External Borrowing	13,418,337	3%
4,801,783	Internal Borrowing	5,308,827	11%
457,470	Interest Payable	505,287	10%
-398,854	Interest Receivable	-424,538	6%
58,616	Net Interest	80,750	38%
37%	Debt Gearing	37%	

**More current resources means that there is more cash available to support internal borrowing resulting in less exposure to interest rates.**

# Impact of Current Resources on Borrowing – Vicious Circle



- Revenue budget gap.
- Reduction in URR to fill gap.
- DSG deficits increase.
- Big reduction in current resources.
- Existing and new borrowing externalised as no internal resources.
- Higher debt financing costs.

- Increase in interest costs across districts suggests that a significant number of districts are showing signs of financial stress.

# Conclusions

- Ahead of Funding Review 2.0.
  - Continued signs of financial stress, particularly across upper tier and particularly in Outer London.
  - Exceptional Financial Support is providing a short term life line for many authorities.
  - Dedicated School Grants deficits are out of control and having the single largest impact of financial resilience.
  - Government will need to come up with a financial package to address DSG in the short term but a structural package to address SEND/DSG in the long term.
  - The impact of all of the above is starting to filter through to capital health in terms of increasing need to borrow and increased debt gearing.
  - **There is not necessarily a correlation between those that are struggling the most in terms of balance sheet health and those that will do relatively better in FR 2.0. Therefore, I would expect the review to throw some authorities into EFS/s114 territory when budgets are set next year.**



# Financial Benchmarking update August 2025

Andrew Cross

# What is it?

Dynamic, user accessible Financial Benchmarking report suite using Microsoft Power BI that enables users to interrogate and easily analyse and compare a vast array of different Government data including

- Multi year Revenue Outturn and RA Budget data with time series, cost per head and Index of Multiple Deprivation comparisons
- Multi year Core Spending Power
- NNDR
- Council Tax
- Dedicated Schools Grant balances
- Borrowing and Investments
- Children's S251

# Recent Updates

- RO drilldown to lowest levels for all areas (e.g Adult Social Care/ Learning Disability Support/ Employee costs)
- Core Spending Power per head compared to Index of Multiple Deprivation
- New Sales Fees and Charges report
- New Borrowing and Investments report
- Historic reports page for old versions with old data
- User interface improvements to Section 251 report

# Updates to come

- New Adult Social Care report using NHS Digital ASC - FR data
- New Waste Services report using DEFRA LA Collected and Household Waste Stats with RO Waste Finance data
- New Reserves report derived from RO
- New Housing Revenue Account report derived from RO

# Updates to come

- OFSTED inspection results compared to Children's Social Care s251 cost per head data
- Update of Mid Year Population Data - impacts on all reports
- Update GDP deflator – impacts of real Core Spending Power report
- User interface improvements - standardisation of user selection method
- Data updates timetable

# Example use cases

- Used Borrowing and Investments data to renegotiate improved payment terms with a Combined Authority with high investments resulting in £ms of cashflow benefit
- Used RO spend per head comparator data as basis for agreeing a business plan with a Children's Trust to return to stat neighbour benchmark average cost per head
- Sales Fees and Charges data identified low areas of Adult Social Care income relative to others. Policy change in progress
- Used RO and RA cost per head and Core Spending Power per head comparisons in Council Budget Book to provide financial context to Councillors and the public about Council Services and funding levels

# Example use cases section

- Used s251 data to demonstrate £ms of excess spend on Children's Residential Care relative to other alike Councils.
- Used Children's Social Work Workforce data to show to Senior Leaders the extent of Agency staff use in comparison to other alike Councils
- Used RO, RA spend per head comparison data for e.g Adult Social Care/ Waste Services in Qtrly Finance reports to provide financial context
- Used RO, RA, Core Spending Power, Index of Multiple Deprivation, Council Tax, NNDR and DSG balance data to demonstrate to MHCLG that a Council in EFS was a relatively low spender, with low borrowing, had DSG surpluses, but was relatively very poorly funded re Core Spending Power, Council Tax, and NNDR.
- Used data in response to Government consultations.

# Next Steps

- Demonstration webinar of new updates and feedback session for existing Pixel Financial Benchmarking report customers in early September
- 1 hour demonstration webinar for any Pixel subscribers in early September
- If you're interested in subscribing and would like a bespoke demonstration please contact [andrew.cross@localgovbi.com](mailto:andrew.cross@localgovbi.com) or [adrian@pixelfinancial.co.uk](mailto:adrian@pixelfinancial.co.uk)
- Further information can be found on the Pixel Financial Benchmarking site

Any questions?