

Final local government finance settlement 2026-27

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11 February 2026



Agenda

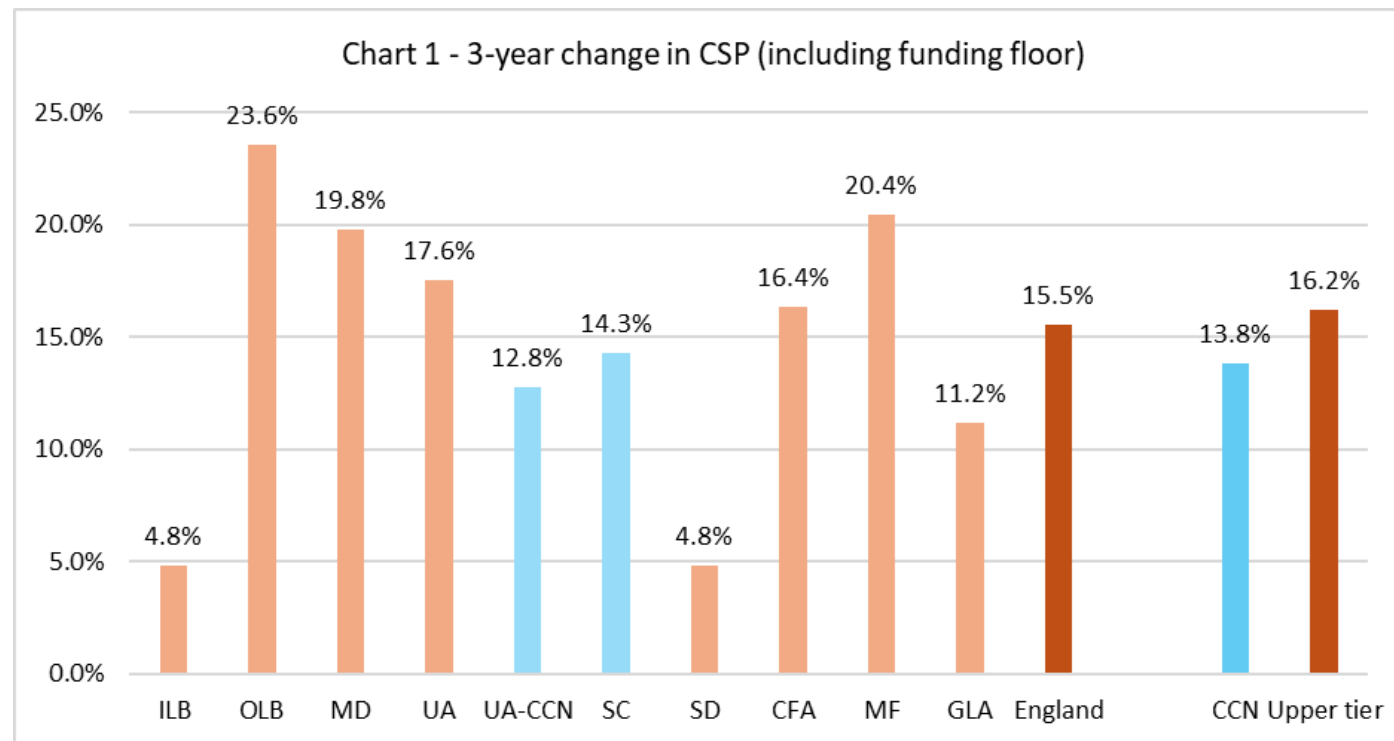
- Final settlement 2026-27 – Core Spending Power (CSP) and context
- Timing and process
- Business rates pooling – adjustment to 25-26 baseline
- Adjustment Support Grant
- Recovery Grant Uplift
- Funding Floors (including fire floor)
- Council tax Band D thresholds (and EFS)
- Second-homes taxbase projection
- BRRS, business rates pools, Levy Account Surplus
- SEND funding
- Updating MTFP model for BRRS/ NNDR1

Timescale and process

- Policy Statement – 20 November 2025
- Provisional local government finance settlement 2026-27
- 4-week consultation process
- Response to the consultation
- Final settlement 9 February 2026: <https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2026-2027-to-2028-2029>
- Debate (11 February 2026)
- Latest final settlement in recent years, and only 1 later in last 15 years (20 February 2017 for the 2017-18 settlement)
- Pattern of very late settlements has now become entrenched – makes it difficult to set a budget with certainty, and leaves MHCLG no room for change (except increases) between provisional and final
- Does anyone remember the Hudson Report?

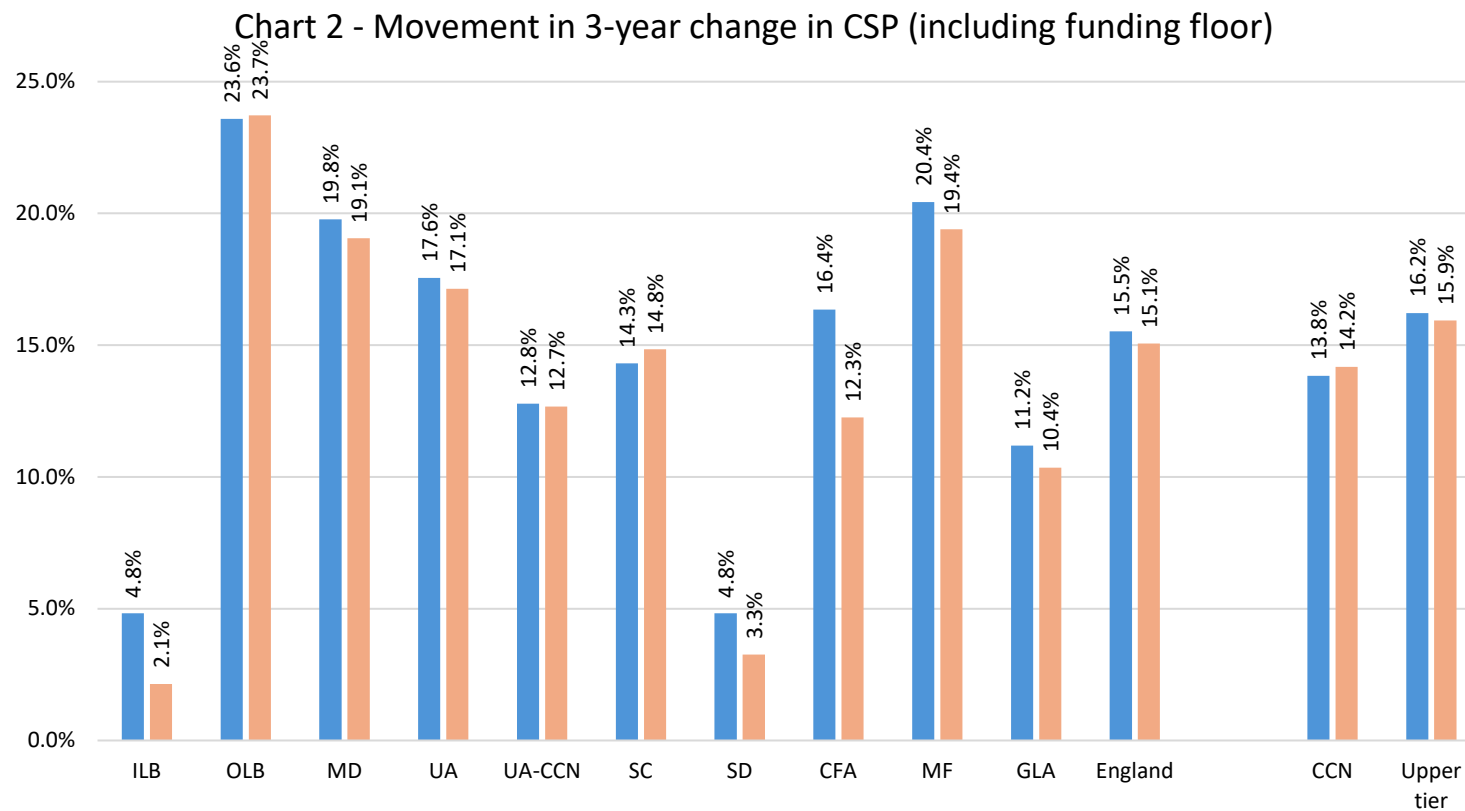
Overall change in Core Spending Power (25-26 to 28-29)

- Not much changed from the provisional settlement
- Overall increase in CSP is marginally higher (15.5% rather than 15.3% over 3 years)
- Similar shape: above average increases for outer London, Mets and unitaries; below-average for county councils and county unitaries
- Shire districts and inner London continue to have much the lowest increases
- Improved outcome for standalone fire authorities



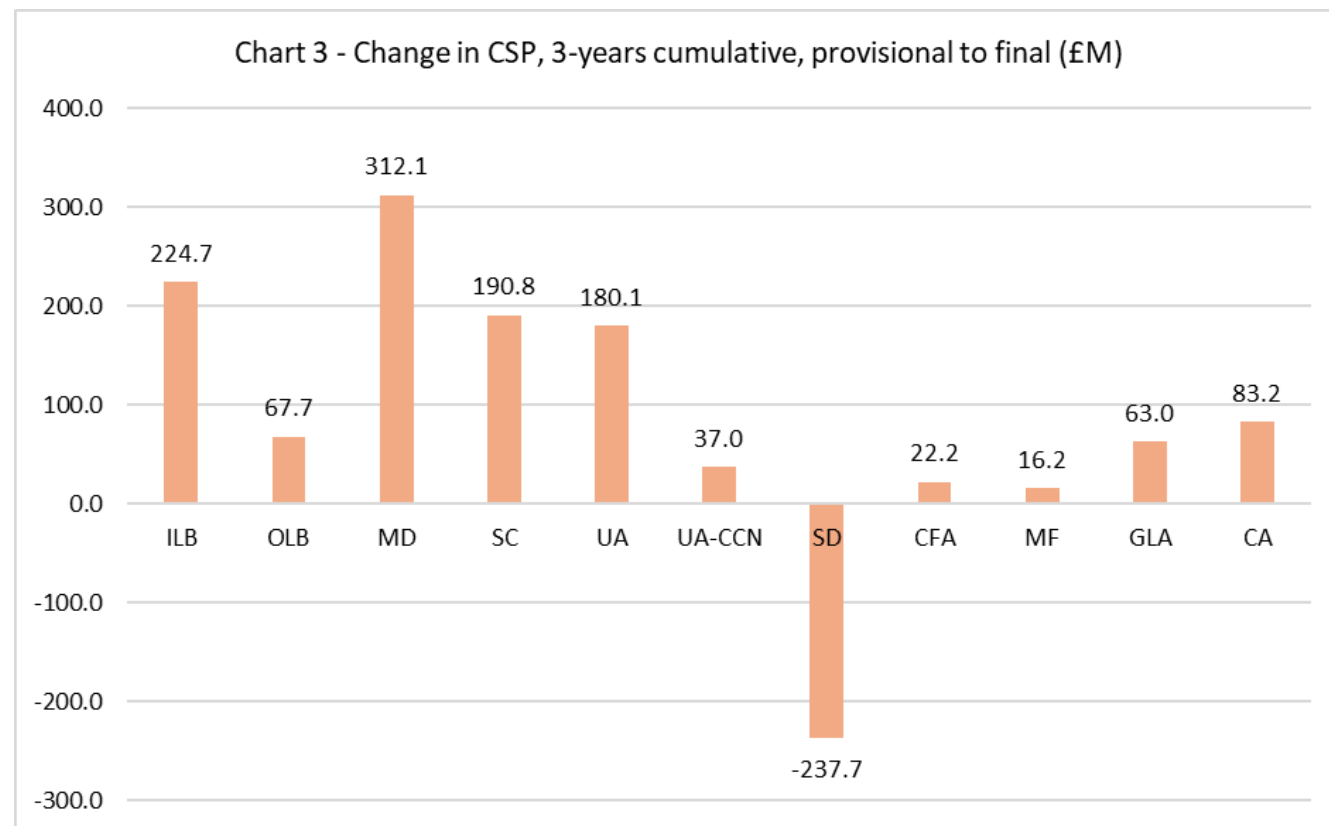
Overall change in Core Spending Power (25-26 to 28-29)

- Not much changed from the provisional settlement
- ILB – now includes City of London
- SD – higher increase because the 25-26 baseline is lower (?!?)
- SC – increase is lower because baselines is higher (?!)
- MD – impact of additional Recovery Grant Uplift (some unitaries too)
- CFA (and MF) – funding floor increase
- OLB – slightly lower increase in CSP



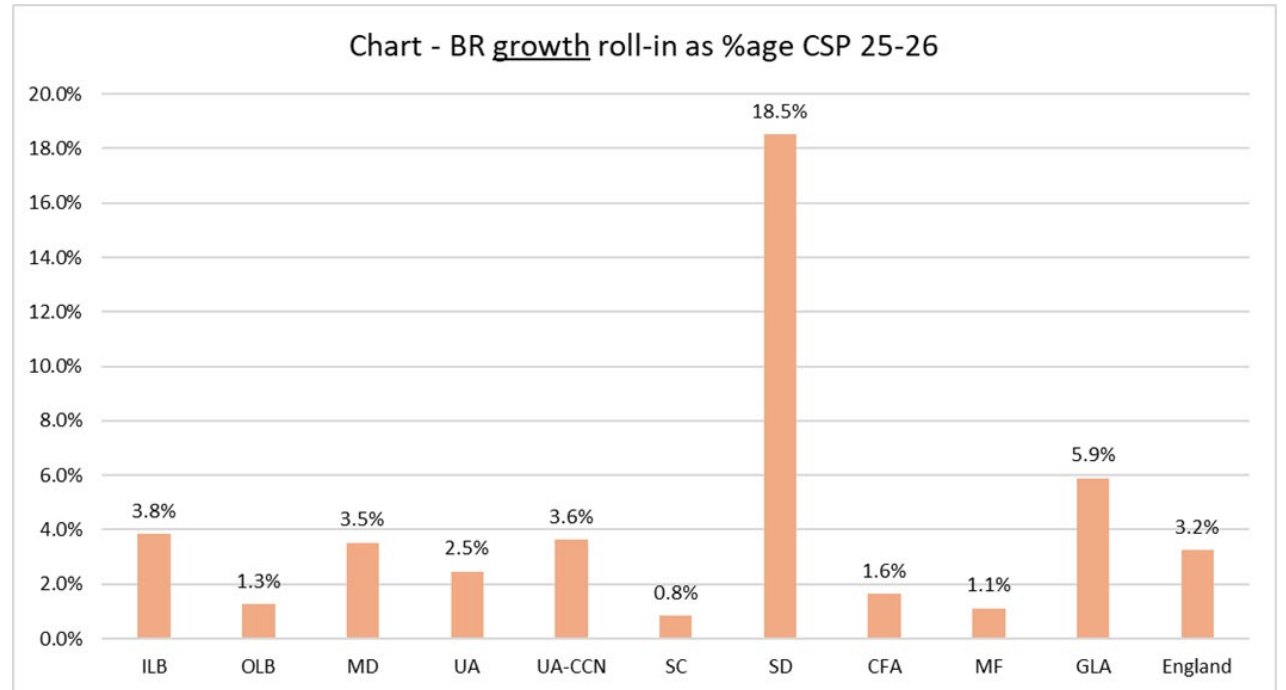
Cash movement in Core Spending Power (25-26 to 28-29)

- Not much changed from the provisional settlement
- ILB – now includes City of London
- SD – higher increase because the 25-26 baseline is lower (!?)
- SC – increase is lower because baselines is higher (!)
- MD – impact of additional Recovery Grant Uplift (some unitaries too)
- CFA (and MF) – funding floor increase
- OLB – slightly lower increase in CSP



Rolled-in BRRS income

- BRRS income roll-in includes pooling and pilots gains
- Pooling gains allocated to pool members based on levy payments (i.e. to tariff authorities)
- Unfair and a better approach was easily achievable
- Hugely increases 2025-26 baseline for some authorities (esp districts but also City of London)
- Principle is to give every authority a baseline that reflects their actual income in 2025-26 – but these authorities did not ever have all the pooling gains
- Rationale is not clear: it has created dysfunctional and more-expensive funding floors
- Important point for county councils – but very beneficial for some high-growth district pool members

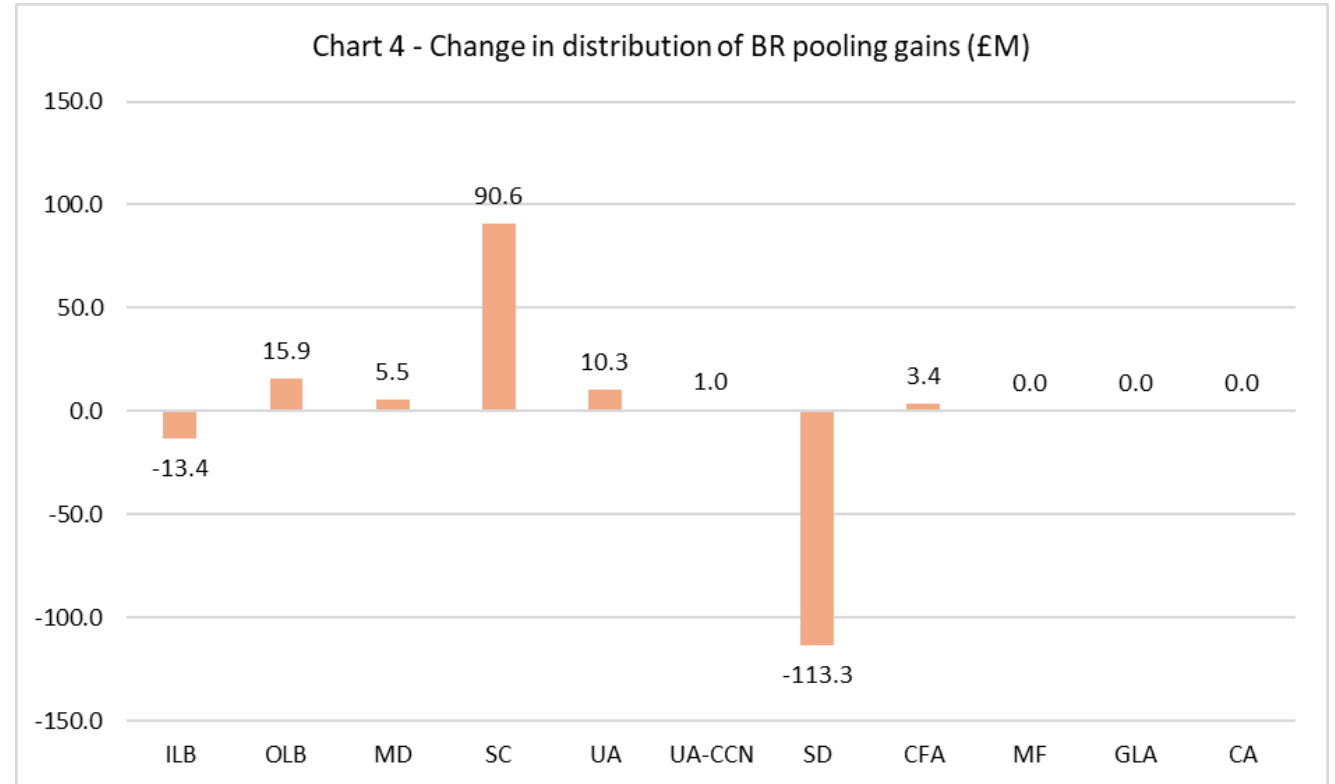


Rolling-in BR pooling gains to 25-26 baseline

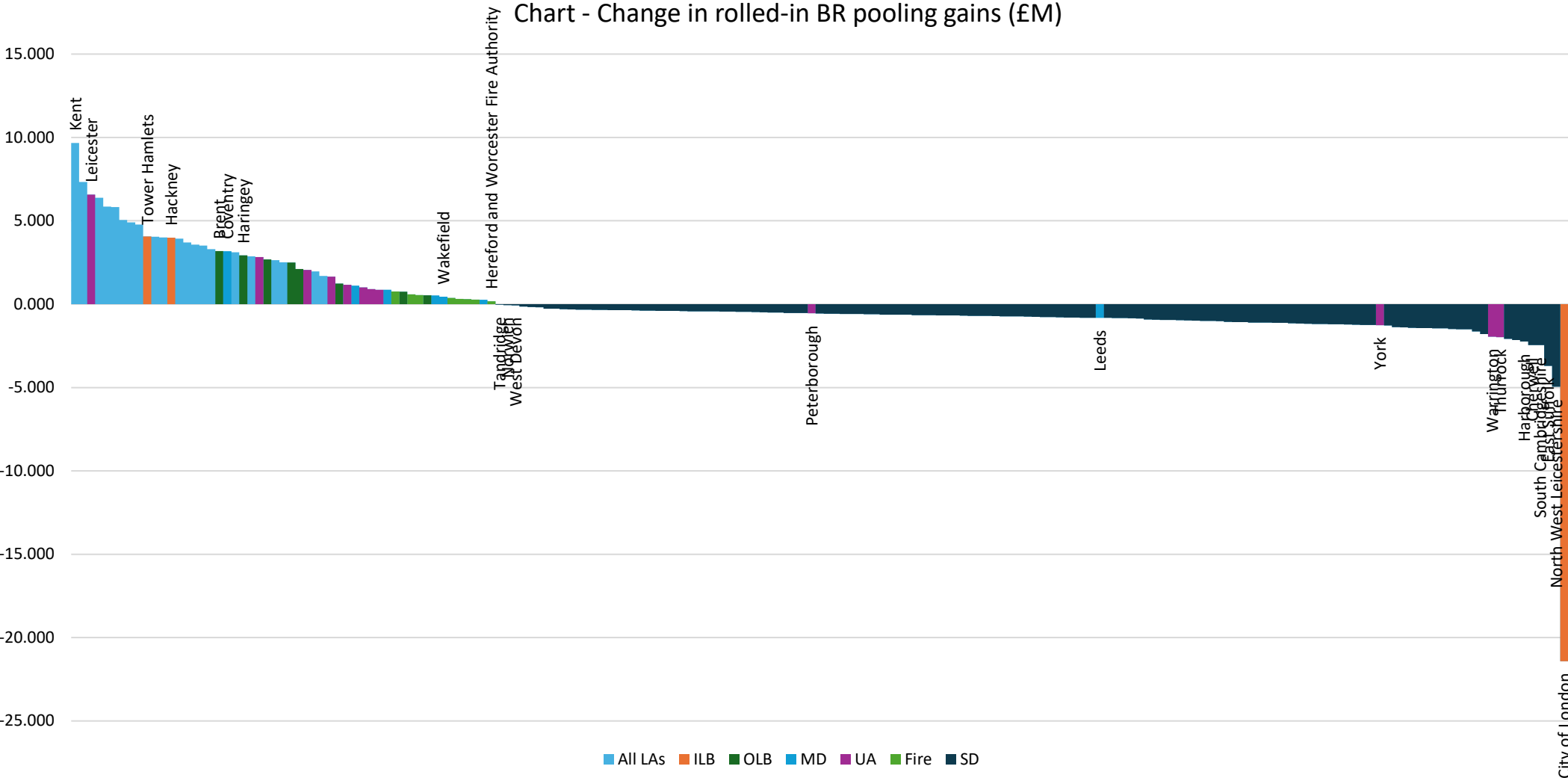
- In the Policy Statement, MHCLG announced that business rates pooling gains would be rolled into the 2025-26 baselines: “make the best estimate, as far as practicable, of each authority’s 2025-26 income”.
- Allocated all the pooling gains to the tariff authority (levy-paying authority) in the pool, and gave nothing to the top-up authority: “For pooling authorities, the current assumption assumes levy due from the pool is split out in proportion to the pre-pooling levy each local authority would be liable for.”
- MHCLG claimed it did not have the information about individual pools to create a better formula (and does not want to replicate individual pooling arrangements).
- Error was clear immediately following the Policy Statement, and could be seen in our MTFP model (e.g. for high-growth shire districts in pools)

BR pooling gains – solution

- Gains will be split between the top-up and tariff pool members 50:50.
- For top-up authorities, the gains will be split on the basis of the share of BFL; for the tariff authorities, the gains will be distributed pro rata to the share of levy gain.
- Pooling gains are shared between the pool members (based on NNDR1 25-26).
- Reduces BR income in 25-26 baseline by £113m in shire districts, and increase by £90m in shire counties.
- Reasonable but does not reflect all sharing arrangements. We modelled alternatives and outcomes are similar.
- Pooling gains now clearly shown in the BRRS income within FFA.



Impact on individual local authorities

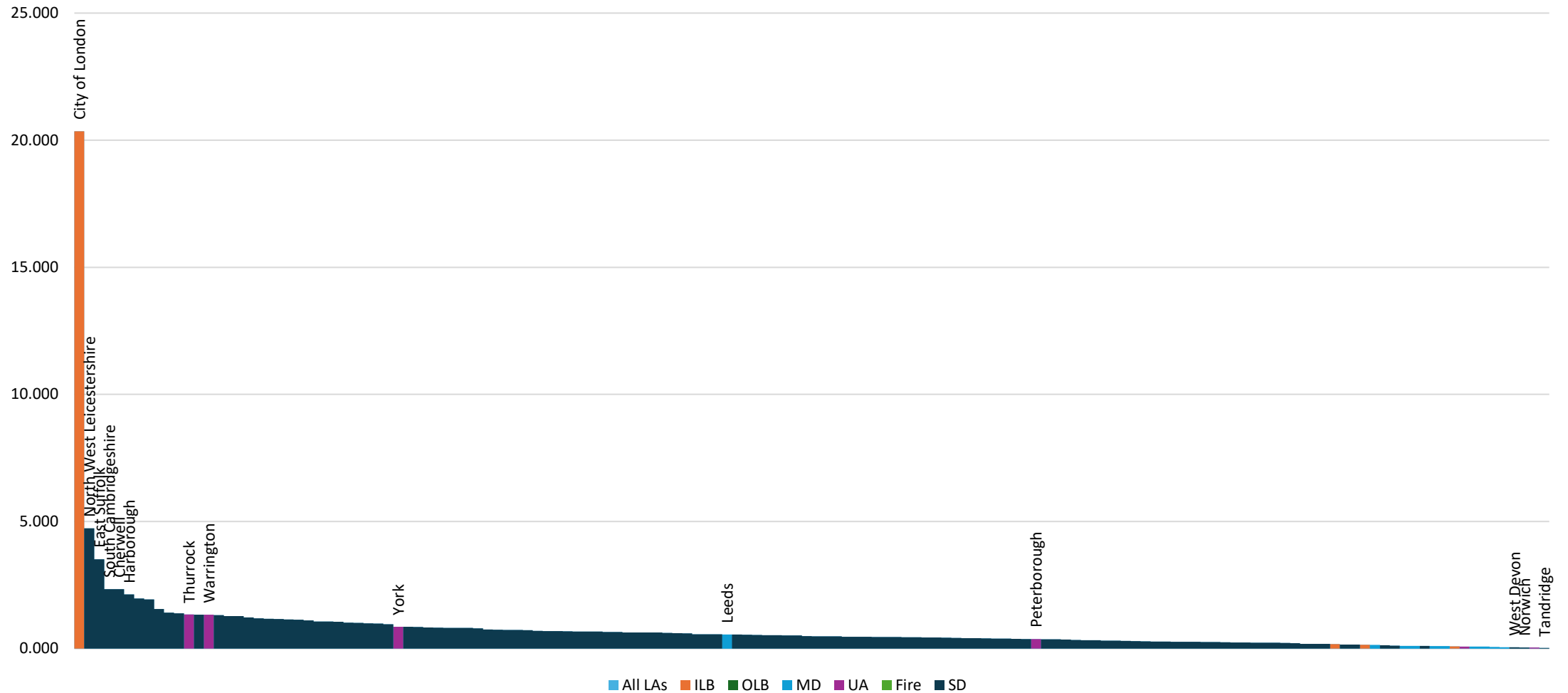


Adjustment Support Grant

- New grant to ensure no authority gets a reduction in CSP in 2026-27
- Changes in BR pooling roll-in would have reduced CSP substantially in final settlement compared to provisional
- Ministers decided that this would not have been tenable – and have allocated one-off funding
- Payments are calculated before any increase in Homelessness, Rough Sleeping and Domestic Abuse grant, and the Recovery Grant Uplift
- Changes in funding floor payments are taken into account
- Bulk of the payments are made to shire districts, as we would expect (£89.6m). The City of London will receive £20.8m. Peterborough, Leeds, Thurrock, Warrington and York are the other mayor recipients (all tariff authorities within their pool)

Adjustment Support Grant

Chart - Adjustment Support Grant (£M)



Movements between provisional and final settlements

- Custom-and-practice that funding does not reduce between provisional and final settlements
- There is scope in the consultation to correct errors:
 - 1.7.2 Data changes, new information or errors identified by either the Department or local authorities between the publication of this consultation paper and the calculation of the final Settlement may lead to changes to individual local authority allocations. The government encourages local authorities to check their individual allocations using the [fair funding assessment multi-year calculator](#)
- In our view, the BR pooling methodology was an incorrect policy choice rather than an error (data, calculation)
- Final settlement is so late that it is not practical or reasonable to reduce CSP at that stage (up to 15% of CSP for some districts)
- Adjustment Support Grant now strengthens that concept (although it has been in the balance over the last two weeks)
- Additional funding is now commonplace in the final settlement (13-14 – additional rural funding, 16-17 – transition grant for counties, and smaller uplifts in recent settlements)

Recovery Grant Uplift

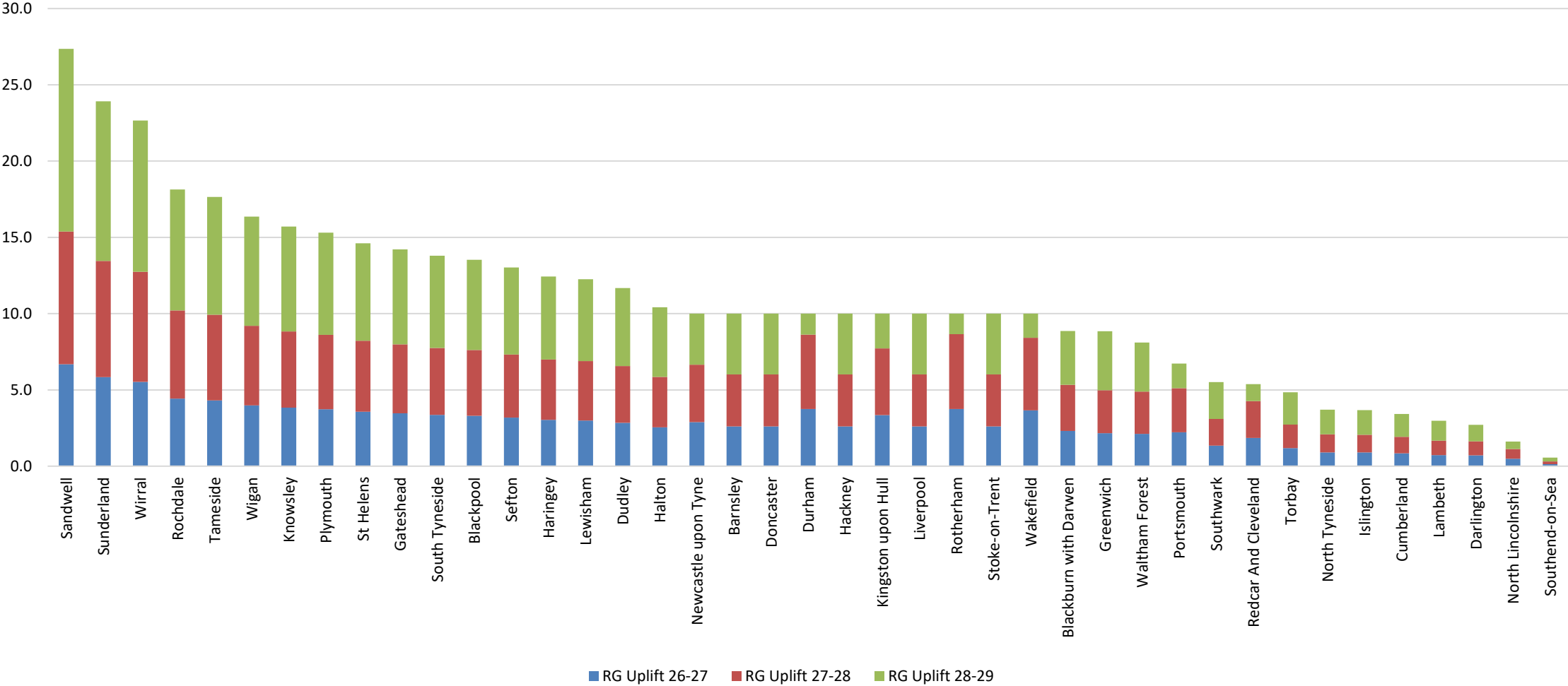
- Recovery Grant introduced in 2025-26 as a one-year grant – “to get councils back on their feet” (Jim McMahon, 18 December 2024). “one-off”.
- In the Policy Statement (20 November 2025), ministers announced that the grant would continue over the next 3 years (£600m in each year). There would be no changes in the distribution of the grant, and that it would continue to use the 2019 IMD
- Ministers have now announced that there will be further allocations through a Recovery Grant Uplift: £440m over 3 years, with £115m in 2026-27, £150m in 2027-28, and £175m in 2028-29
- Complicated and arbitrary methodology – addresses the unexpected* underfunding that has been evidence since the Summer for some Met and unitary authorities. These issues exacerbated by decision to use 2025 IMD post-housing costs (shifted funding away from many Mets/ unitaries). Continuing Recovery Grant over 3 years was first attempt to address this issue; RG Uplift is the second attempt
- Same issues will still be unresolved in 2029-30 – ministers have postponed addressing them, or hoping “something will turn up”. Mets and similar unitaries will need to focus on improving the needs assessments in the next funding review (capital financing, deprivation measures, concessionary fares).
- * these issues were starting to emerge in our modelling in 2024 – so not entirely a surprise

Recovery Grant Uplift – methodology

- £440m over 3 years, with £115m in 2026-27, £150m in 2027-28, and £175m in 2028-29.
- Payable only to upper-tier authorities whose CSP increases by less than 17% over the next 3 years (based on the final settlement).
- “The uplift cannot increase the Core Spending Power change of an authority over the period above 17%, and an authority with an increase over the period of 14% at the time of provisional Local Government Finance Settlement cannot receive more than £10m in total over the years 2026-27 to 2028-29.”
- Allocations are distributed pro rata to 42 authorities pro rata to their share of Recovery Grant. By applying the caps (17% of CSP, £10m maximum), there is further funding available to be re-allocated (£17m in 2026-27, £22m in 2027-28 and £46m in 2028-29)
- Allocations are calculated after the Recovery Grant Guarantee amounts.

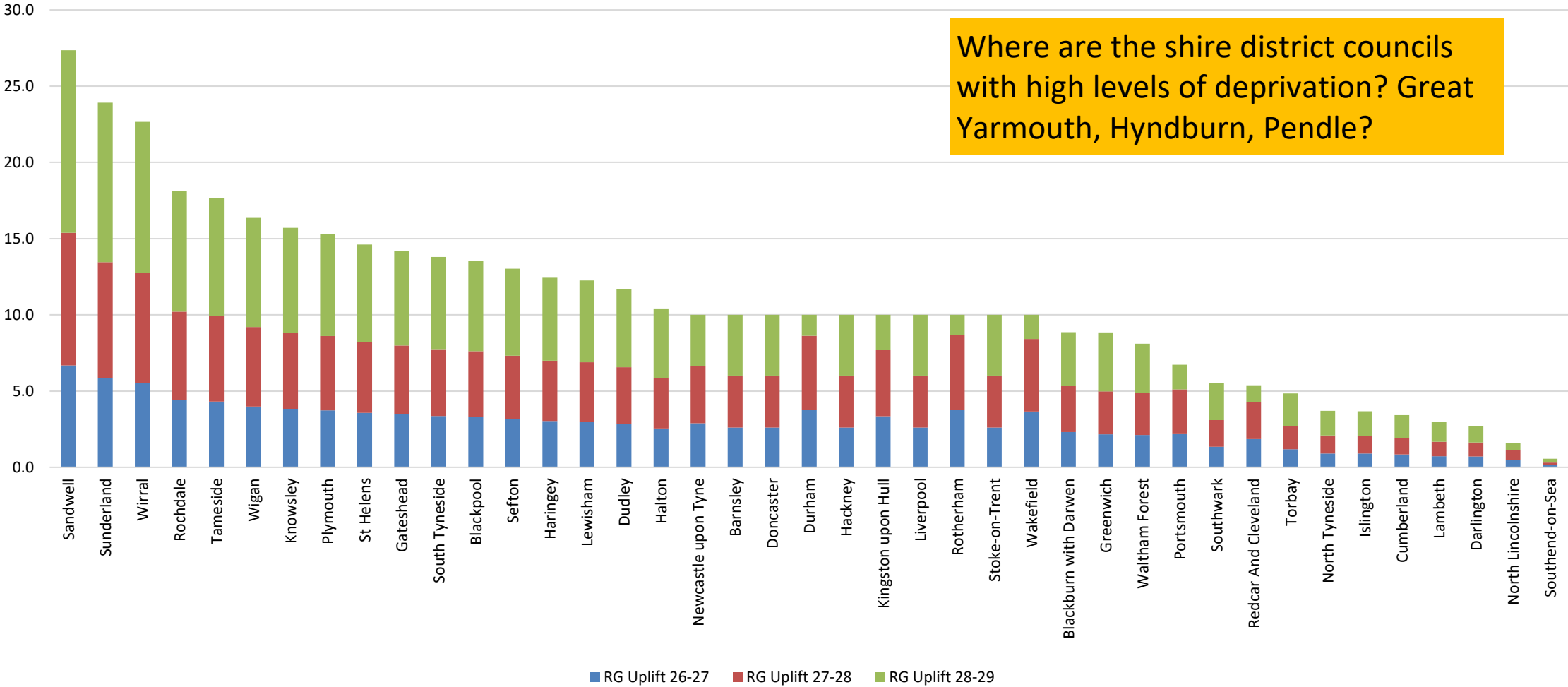
Recovery Grant Uplift

Chart 5 - Recovery Grant Uplift allocations, £M



Recovery Grant Uplift

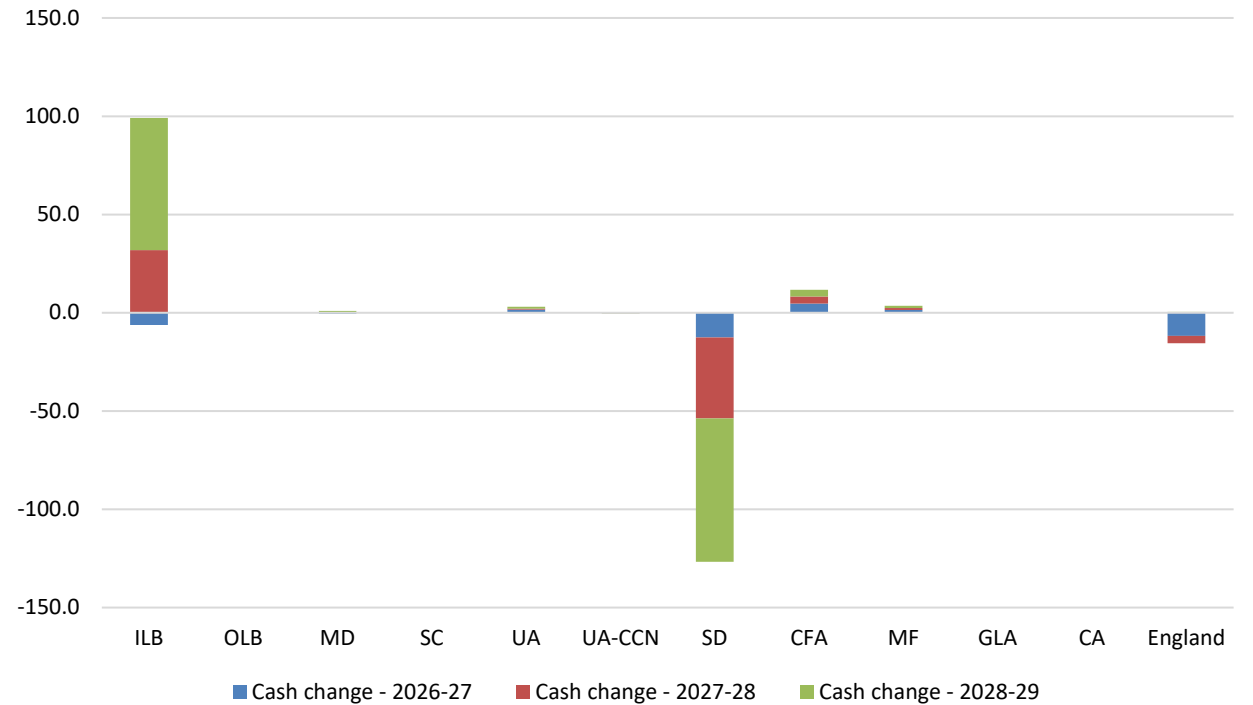
Chart 5 - Recovery Grant Uplift allocations, £M



Funding floor allocations

- No change in the settings for funding floors (except fire)
- Increase for inner London because of City of London (not included in the provisional)
- Reduction in shire districts because of reduction in 25-26 baseline (BR pooling gains)
- Increase in fire authorities because floor has been increased
- Fire funding floor is now real-terms protection (GDP Deflator) after 3.8% cash-terms increase
- Small net reduction (esp in 26-27)

Chart 6 - Change in funding floor payments (95%, 100%, fire, Recovery Grant Guarantee), £M



Council tax Band D thresholds

- No change in Band D thresholds (except police and crime commissioners):
- Social care authorities: 4.99% Band D increase
- Shire district councils: the higher of £5 or 2.99%
- Fire authorities: £5
- £18.50 for police and crime commissioners (this applies to the PCC element of mayoral combined authorities). There are no other restrictions on mayoral combined authorities.

- Six authorities at the 95% protection floor will have an additional £150 increase in Band D built into their assumed council tax income (for 2026-27 and 2027-28). These are: City of London, Hammersmith and Fulham, Wandsworth, Westminster, Kensington and Chelsea, and Windsor and Maidenhead.
- Additional EFS thresholds: Bournemouth, Christchurch and Poole (1.75%), Warrington (2.5%), Trafford (2.5%), Worcestershire (4%), Shropshire (4%), North Somerset (4%), and Windsor and Maidenhead (2.5%)

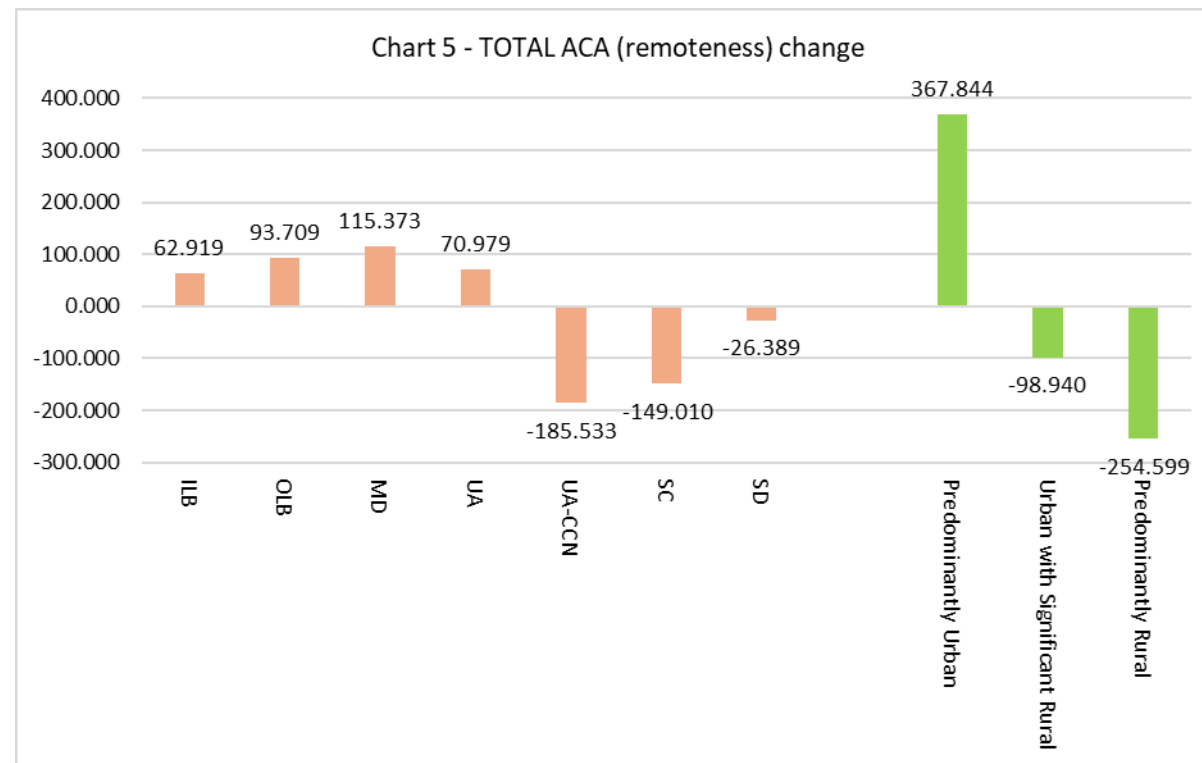
Homelessness, Rough Sleeping and Domestic Abuse grant

- Additional £272m over 3 years, with an additional £90m in 2026-27
- Two authorities have less in the final than the provisional settlement (Swale -£80,000, Thanet -£185,000)
- Not clear why these allocations have reduced – further investigation
- Overall, methodology not clear or replicable

- Other consolidated grants have been updated (additional streams) but the allocations are still showing from the provisional settlement: <https://www.gov.uk/government/publications/allocations-tables-for-all-consolidated-grants-from-2026-2027-to-2028-2029>
- Guidance has been updated for the final settlement): <https://www.gov.uk/government/publications/explanatory-note-on-funding-simplification-consolidated-grants-and-draft-conditions-final>

Remoteness

- Decision to remove Remoteness from the Area Cost Adjustment (ACA) in every RNF (except ASC)
- “compelling theoretical case for including this adjustment”
- Research undertaken by MHCLG produced weightings for the dispersal and traversal indicators, but not for remoteness
- MHCLG asked authorities for evidence to support weighting – how strong was this evidence?
- Given research by MHCLG we would have expected a non-zero weighting in every RNF
- Can authorities ask to see underlying research, and basis of decision to remove remoteness? Is there a case for challenge?



Local authority	Rural urban	TOTAL ACA (remoteness) change	TOTAL ACA (remoteness) change (%)
Isle of Wight Council	Predominantly Rural	-15.679	-7.7%
Cornwall	Predominantly Rural	-57.204	-7.2%
Westmorland and Furness	Predominantly Rural	-17.426	-5.6%
Herefordshire	Predominantly Rural	-10.175	-4.4%

Second-homes taxbase projections

- Taxbase projections used within CSP are based on change in between 2021-22 and 2025-26 (4-year movement).
- Not adjusted for the introduction of the second homes premium in April 2025
- Clearly wrong not to adjust but...
- Presentational issue for authorities above funding floor (has overstated their CSP increase)
- Affects actual funding floor payments for those below threshold – these are mostly inner London boroughs and some shire districts
- Westmorland and Furness would be below funding floor (by about £1.1m).
- Could be expensive – additional funding or scale everyone else back?

Local authority	Class	Revised council tax	Percentage error
Inner London boroughs	ILB	61.9	4.08%
Outer London boroughs	OLB	18.3	0.55%
Metropolitan districts	MD	53.9	0.83%
Unitary authorities	UA	58.9	1.04%
County unitary authorities	UA-CCN	91.9	1.80%
Shire counties	SC	143.2	1.17%
Shire districts	SD	16.1	1.04%

SEND

- **Major increase in funding for SEND – should result in significant improvement in local authority financial sustainability**
- **“High Needs Stability Grant”**
- 90% of qualifying DSG deficits will be funded by DfE
- Payments based on actual expenditure (per s251 statement, accounts, RO etc)
- <https://www.gov.uk/government/publications/explanatory-note-on-the-governments-approach-to-dedicated-schools-grant-deficits>
- Better than expected (had been expecting only 80% to be funded)
- Follows pressure from local government for additional funding
- Potentially generating £2bn+ additional funding for local government (annual deficits forecast to reach £3.2bn by 2029)

BRRS

- No **business rates pools** in 2026-27. All of those (11) proposed at the provisional settlement have been “revoked at the request of at least one local authority within each pool”
- There will be no allocation from the **levy account** in respect of 2025-26 – the surplus will be carried forward to fund the safety net in 2026-27 (which is more generous, 100% of BFL)
- No change in the BRRS baselines (BRB, BFL) or top-ups and tariffs

Update MTFP model for BRRS/ NNDR1

- We will update the MTFP model for the NNDR1s when they are published on 18 February 2026
- Retained business rates income in “MTFP” tab (cell L44) should equal the share of Non-Domestic Rating Income in Part 1B (Line 14)
- You may have to make adjustments within the BRRS tab to achieve this
- Treatment of High Value Multiplier income and RHL multipliers
- No s31 grants for unfunded discretionary reliefs
- Enter gross rates to ensure BRB adjustment to reflect changes in rating list between draft and final (31 March 2026)

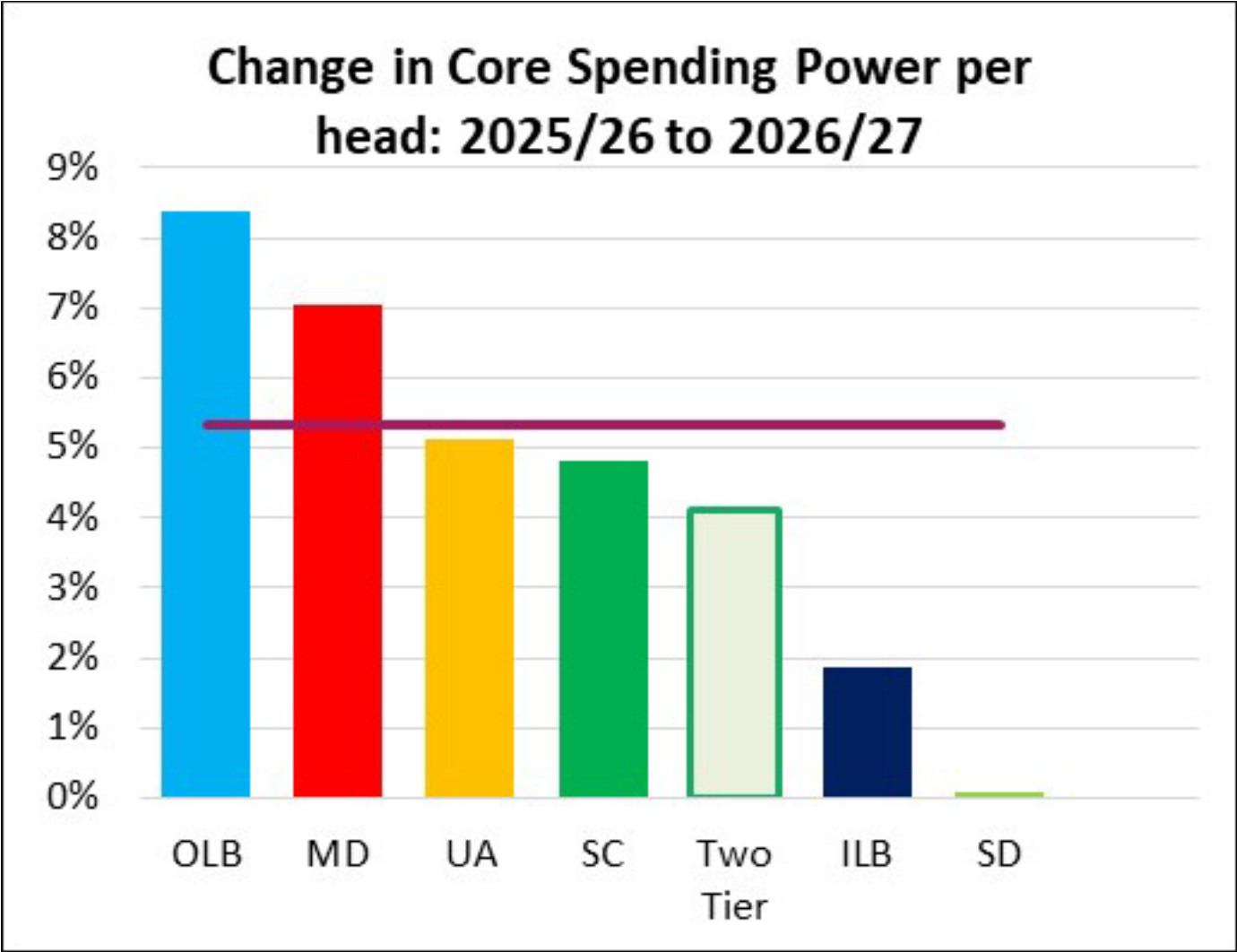
	A	J	K	L
1	Return to Menu	Grant Funding		Total Resou
2	Medium Term Financial Planner			
3	Harborough			
4				
5	£M	2024-25	2025-26	2026-27
39	Baseline Funding Level	1.929	1.954	2.037
40	Safety net threshold	1.785	1.807	2.037
41				
42	Non-Domestic Rating Income + Section 31 grants	27.425	28.843	31.524
43	100% Business Rates Pilot - additional BR income	N/A	N/A	N/A
44	BR income (main scheme plus 100% pilot)	27.425	28.843	31.524
45				

	A	E	C	AA	AB
1	Return to Menu				
2	Business Rate Retention Scheme				
3	Harborough				
4	Billing Authority				
5	£M		2016-17	2025-26	2026-27
7	GROSS RATES (per draft final rating list, 1 April 2026)			81.112	79.874
8	Net income from high value and RHL multipliers				0.000
9	GROSS RATES (growth after 1 April 2026)				0.000
10	Transitional Payments			0.161	0.167

Analysis of the Final Local Government Financial Settlement 2026/27 to 2028/29

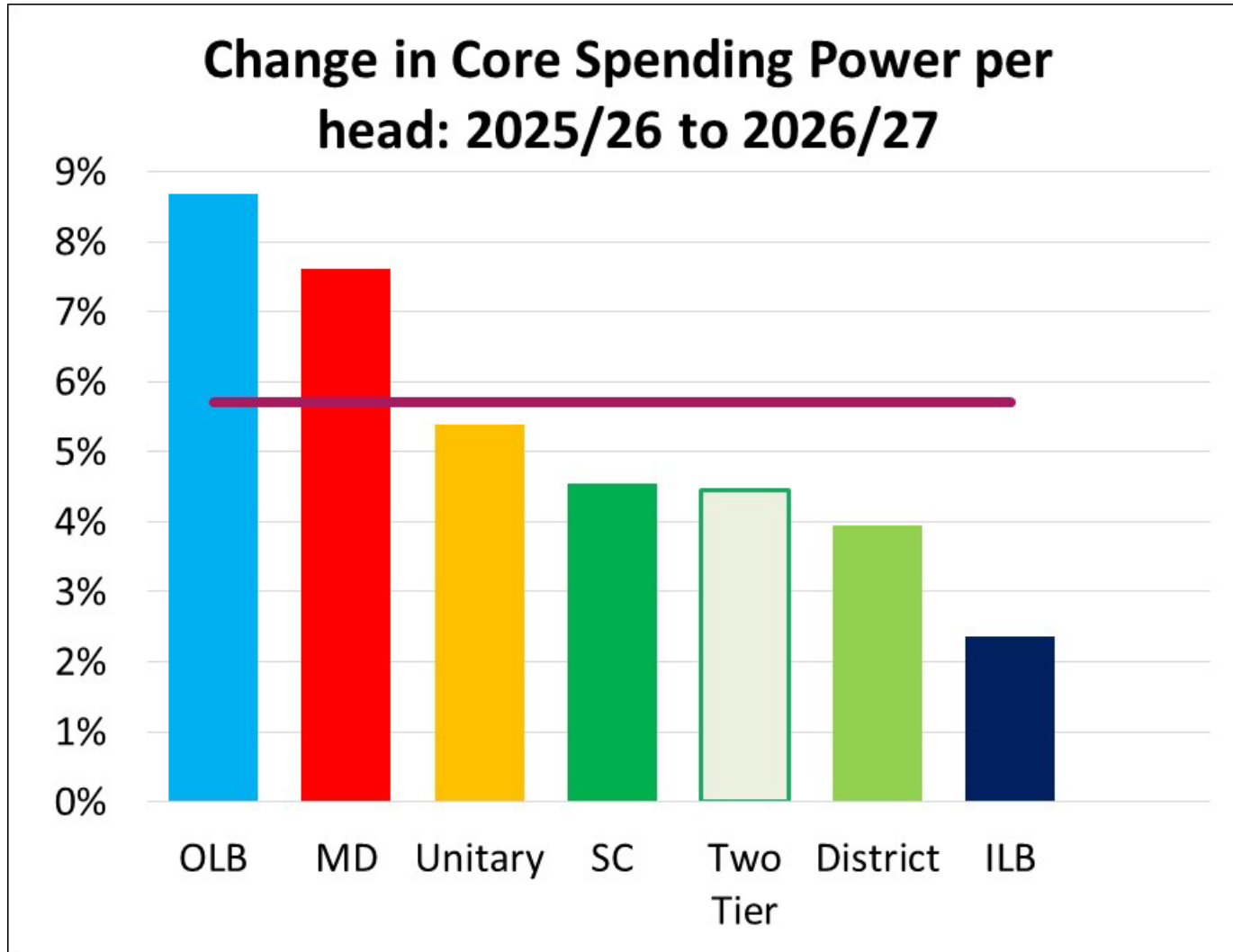
Dan Bates
11 February 2026

Authority type change in CSP – one year to 26/27



• Provisional

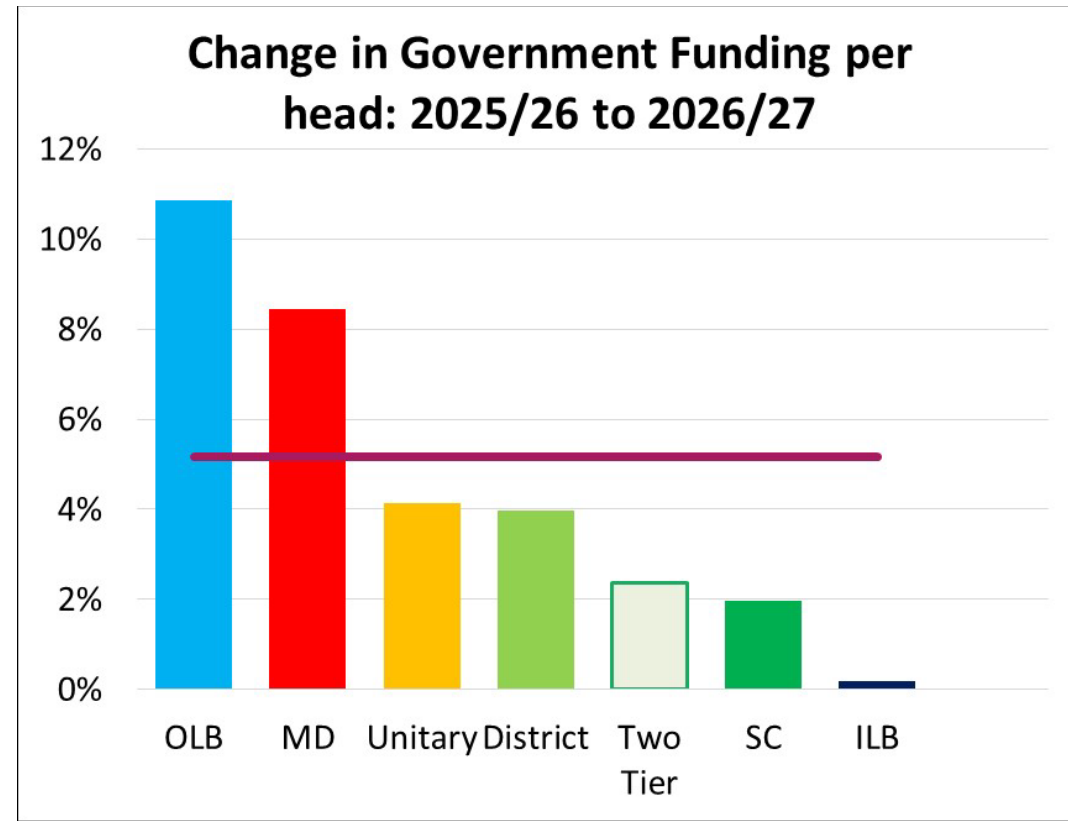
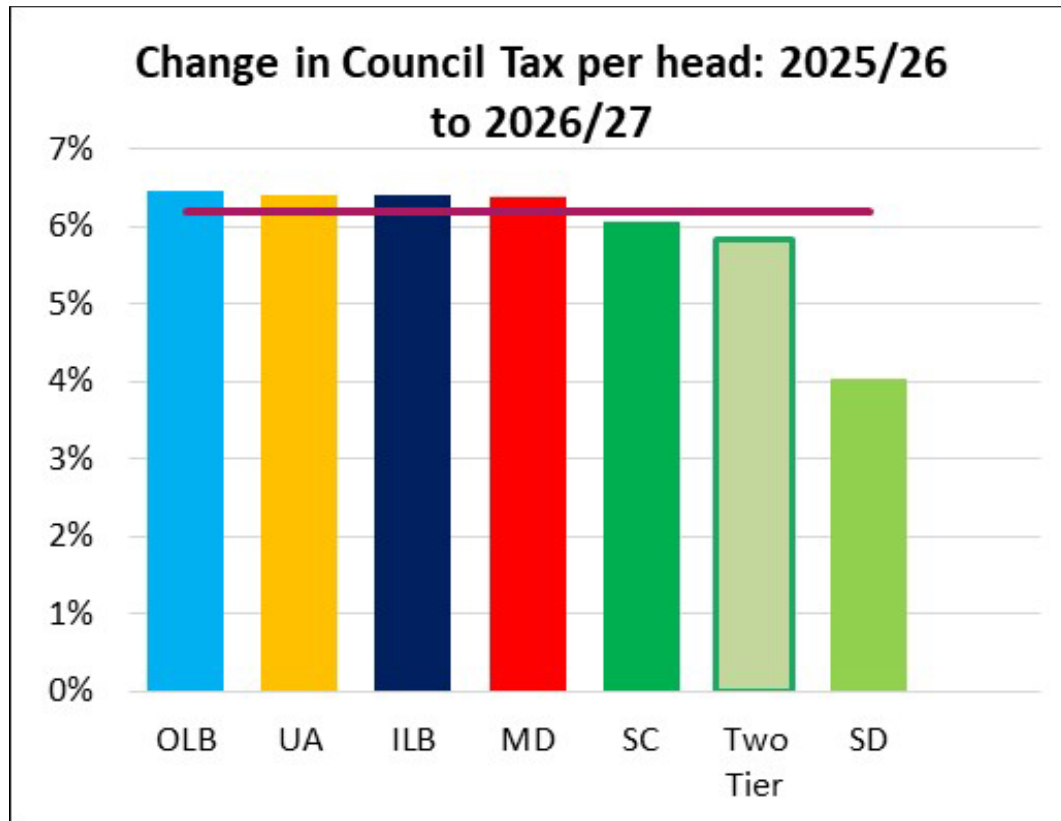
Authority type change in CSP – one year to 26/27



Final

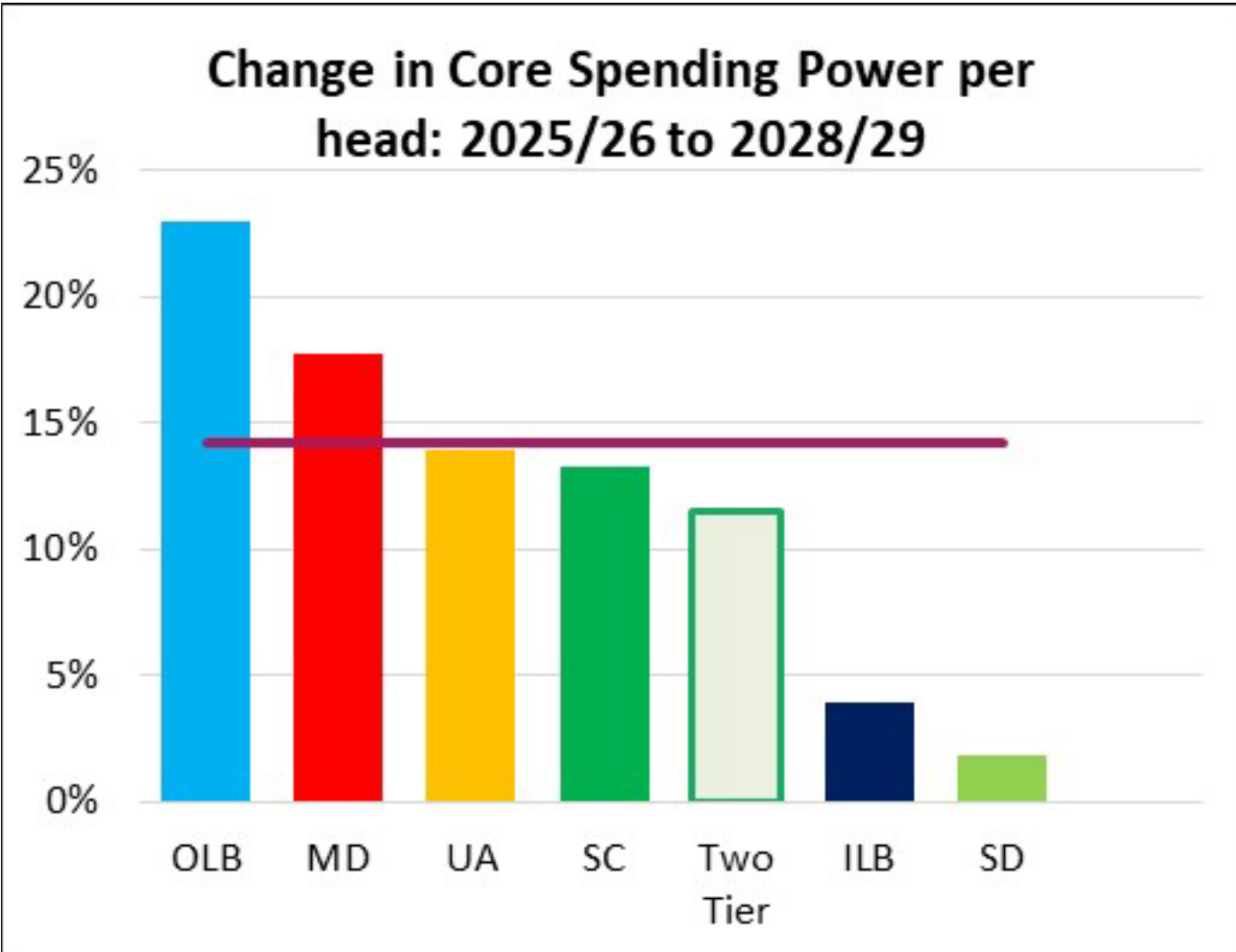
- **Recovery Grant Uplift** +£115m – mainly to some Mets and Unitaries.
- **Extra Homelessness** +£90.7m – increases for most authorities.
- **Adjustment Support Grant** +£115.8m – mainly to districts to compensate for loss of business rates.
- Districts gains partly due to downward restatement of 2025/26 CSP data.

Authority type change in CSP – one year to 26/27



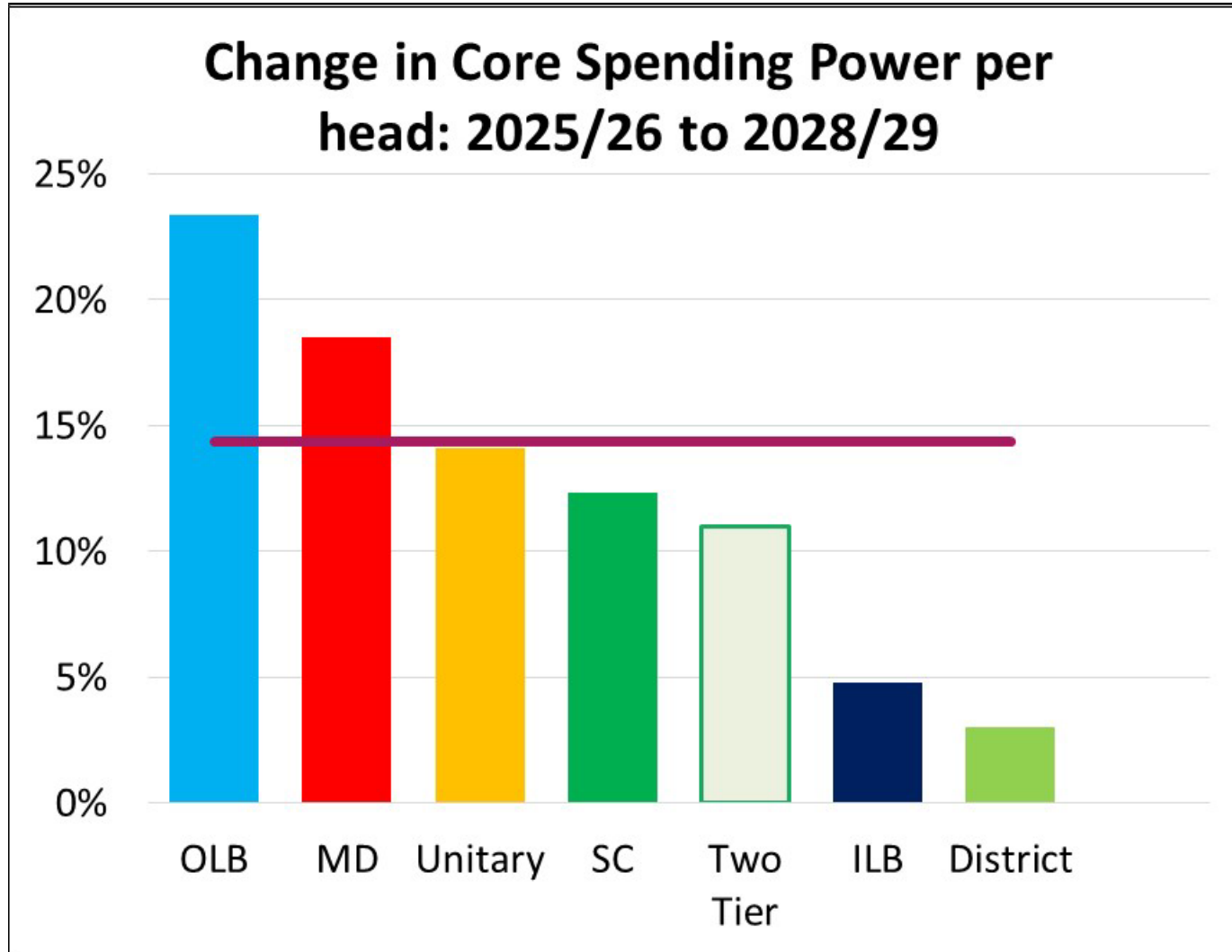
- OLB (use of IMD2025) and Mets (Recovery Grant) have highest increases in Government Funding.

Authority type change in CSP – three years to 28/29



•Provisional

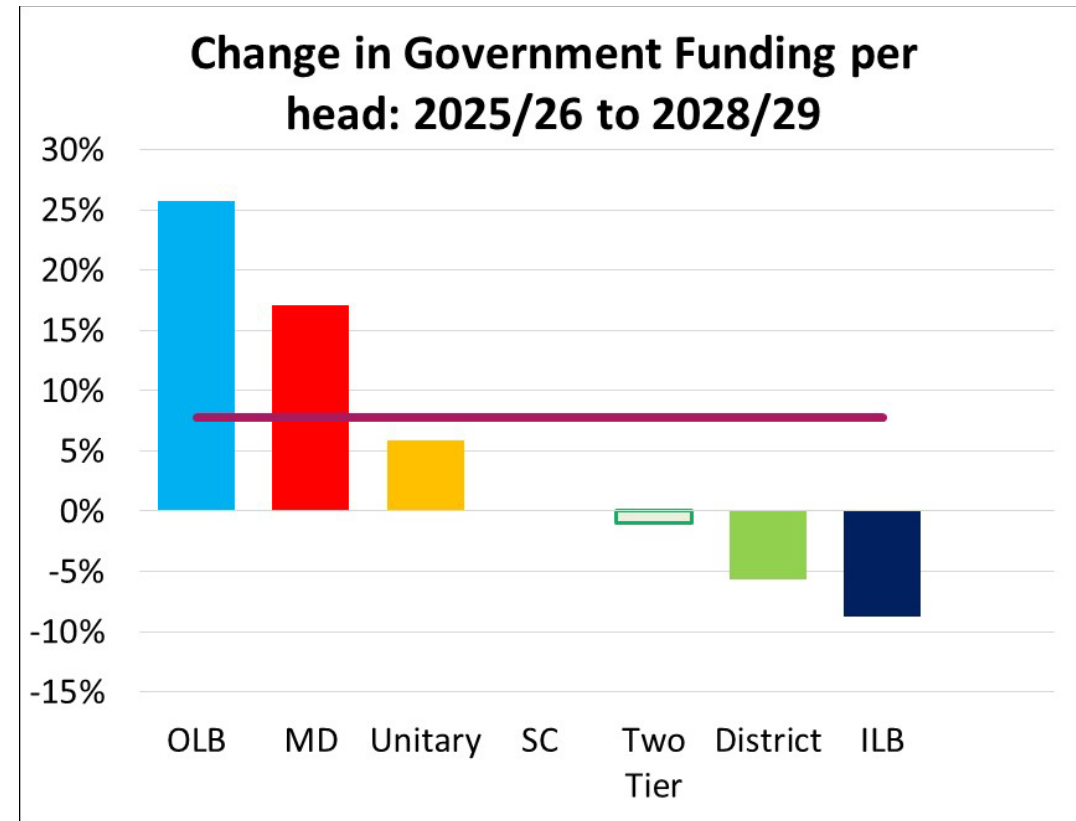
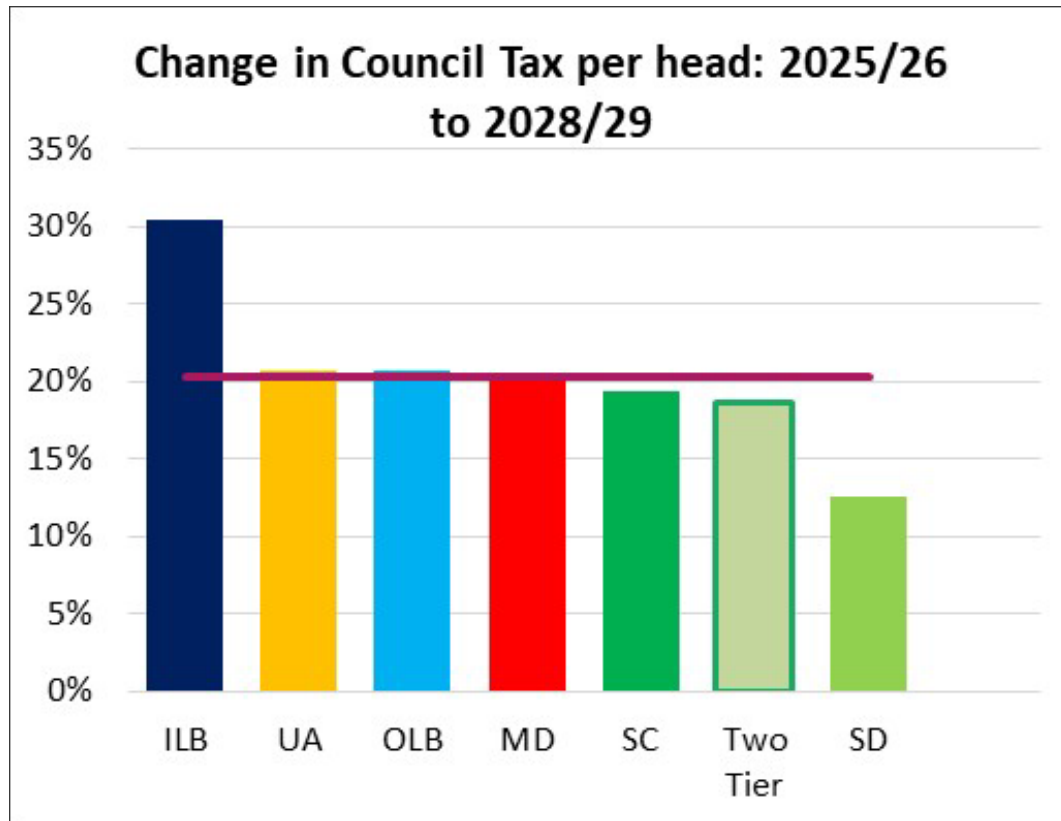
Authority type change in CSP – three years to 28/29



Final

- **Recovery Grant Uplift** +£175m – mainly to some Mets and Unitaries.
- **Extra Homelessness** +£92.0m – increases for most authorities.
- Districts gains partly due to downward restatement of 2025/26 CSP data.

Authority type change in CSP – three years to 28/29



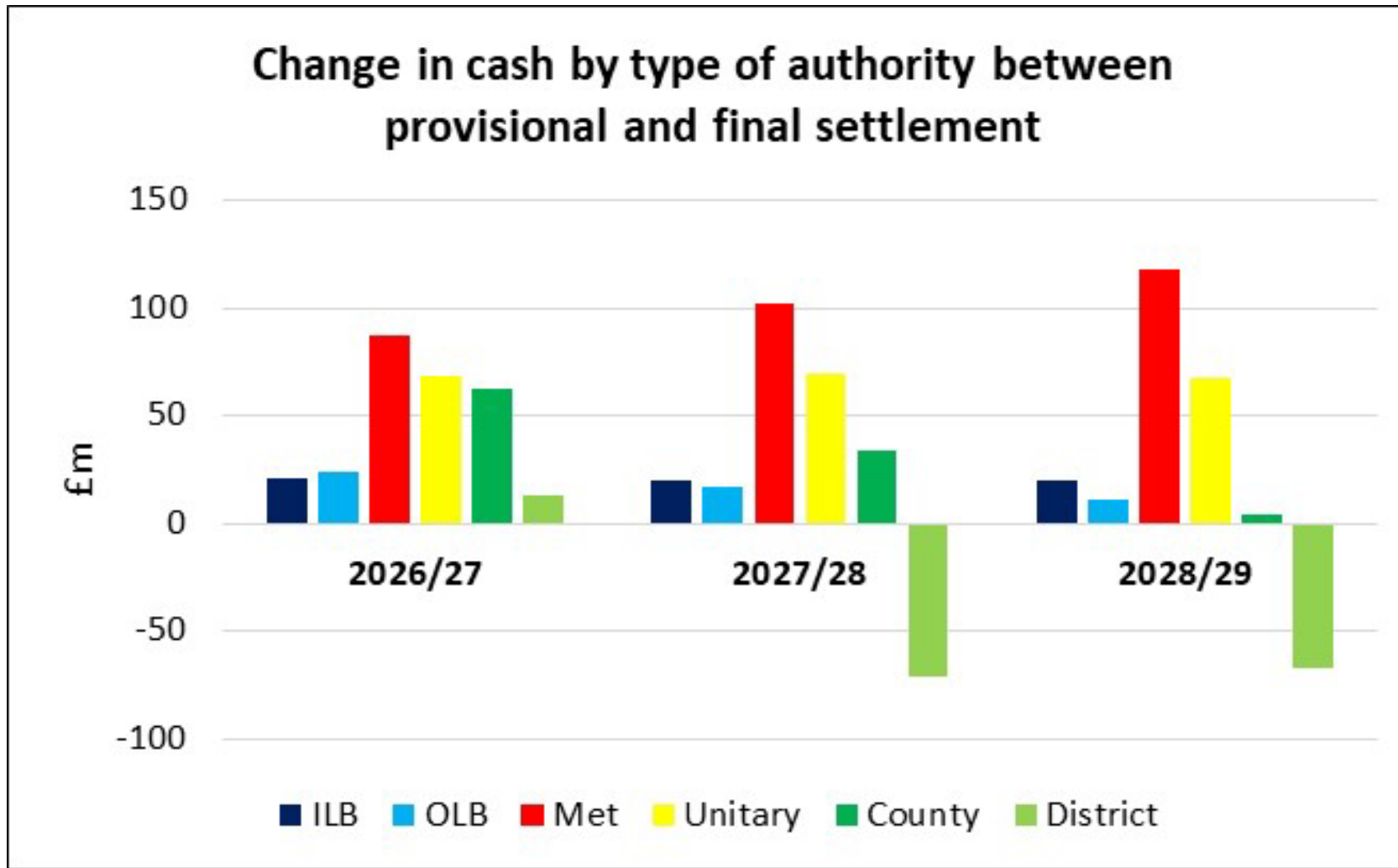
- Significant redistributions in Government Funding from Inner London and Two Tier areas to Outer London and Mets.

Change between provisional and final settlements

	2026/27	2027/28	2028/29
CSP Total Provisional	77,712.074	81,041.419	84,618.840
<i>add in</i> City of London		88.273	88.876
<i>Changes to:</i>			
GLA	13.741	20.686	28.554
Combined Authorities	22.737	26.088	33.435
Fire Authorities	12.923	11.157	10.924
Districts	13.274	-70.684	-67.032
Counties	62.879	33.642	3.653
Mets	86.864	102.175	117.559
Unitaries	68.621	69.934	67.196
London Boroughs	44.863	36.882	30.915
CSP Total Final	78,037.978	81,359.573	84,932.920
Extra CSP in Final Settlement	325.904	229.882	225.204
Adjustment Support Grant	115.760	0.000	0.000
Recovery Grant Uplift	115.000	150.000	175.000
Extra Homelessness	90.703	89.601	91.988
Other Changes	4.441	-9.720	-41.784
	325.904	229.882	225.204
Extra CSP to Councils	276.502	171.949	152.290

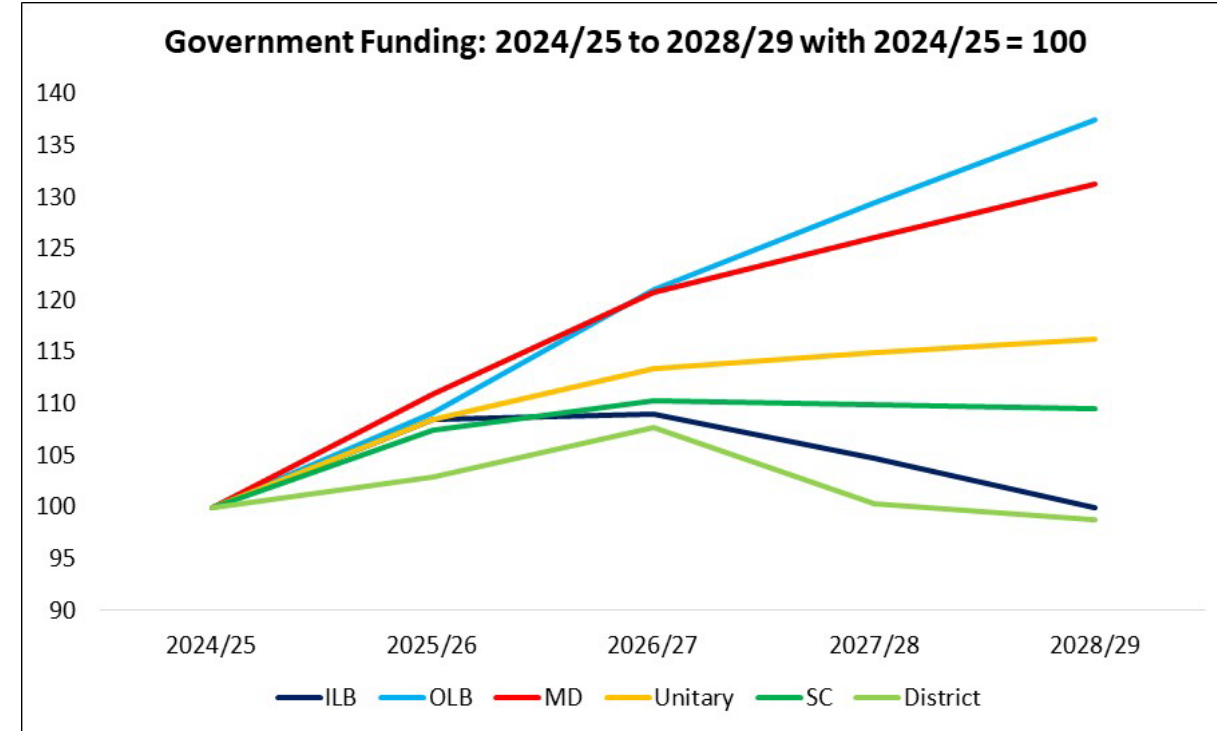
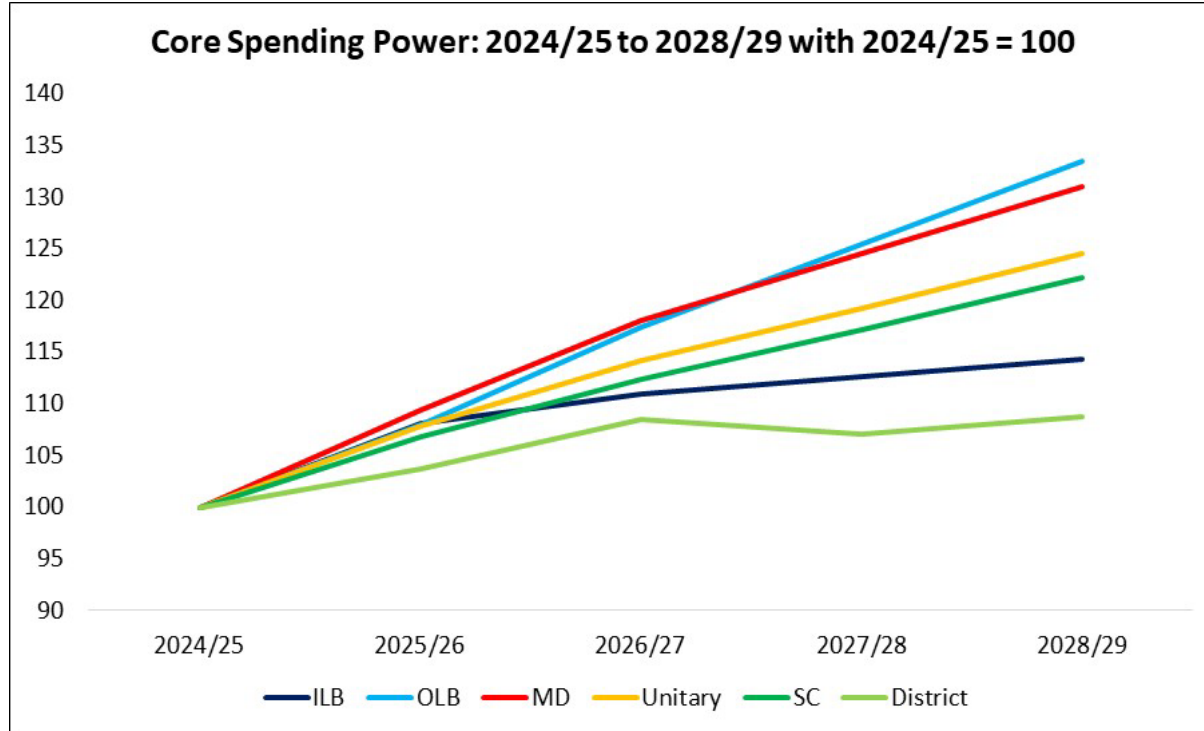
- Additional £325.9m in 26/27 dropping to £225.2m in 28/29.
- Main increases in 26/27 are due to Adjustment Support Grant (£116m), Recovery Grant Uplift (£115m) and extra homelessness funding (£91m).
- Table shows how each type of authority benefits from the additional funding over the three years.

How is the additional cash distributed?



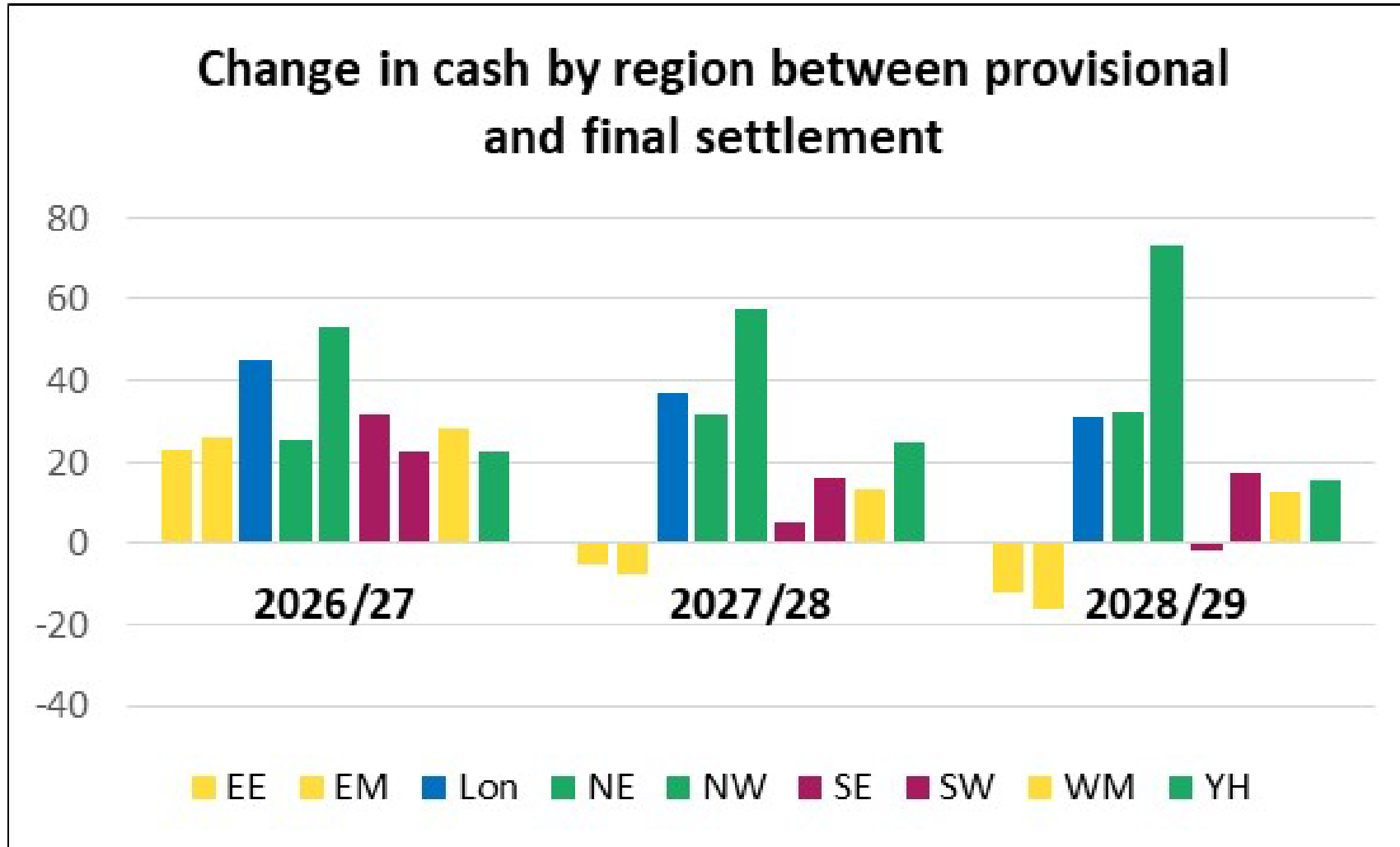
- Mets received highest proportion of additional funding – mainly due to Recovery Grant Uplift.
- Districts compensated in 26/27 via Adjustment Support Grant for loss of pooling gains to Counties.
- But Counties see these gains reduce by 2028/29.

CSP by authority type



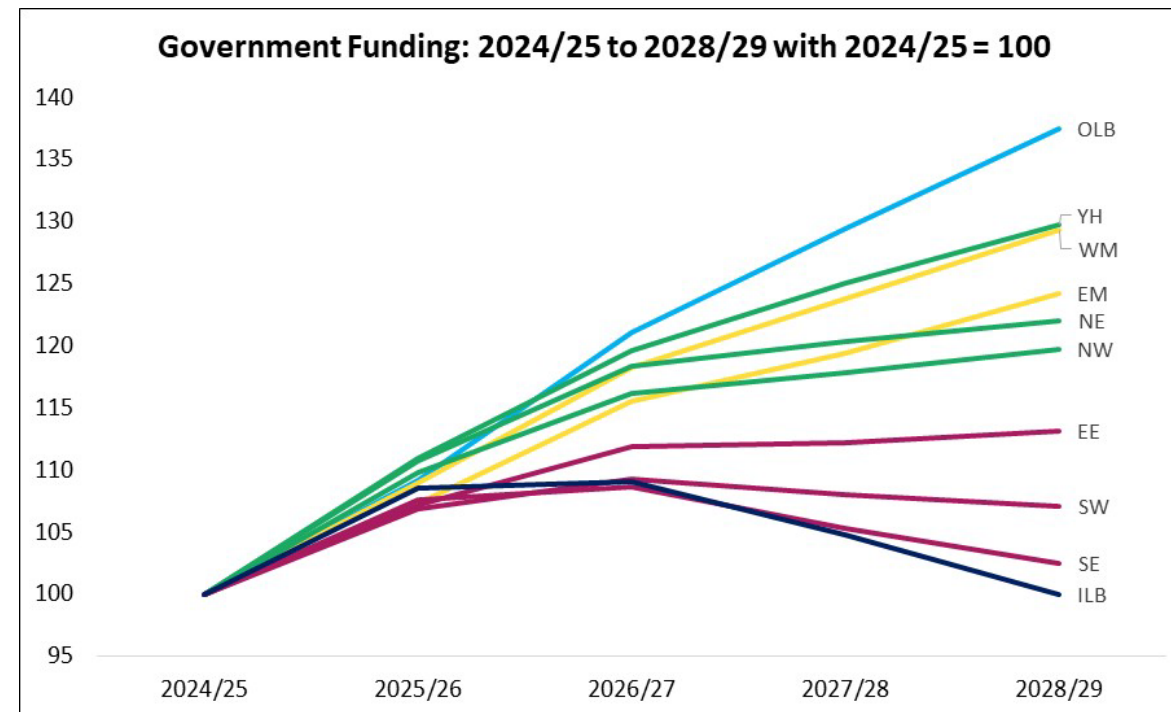
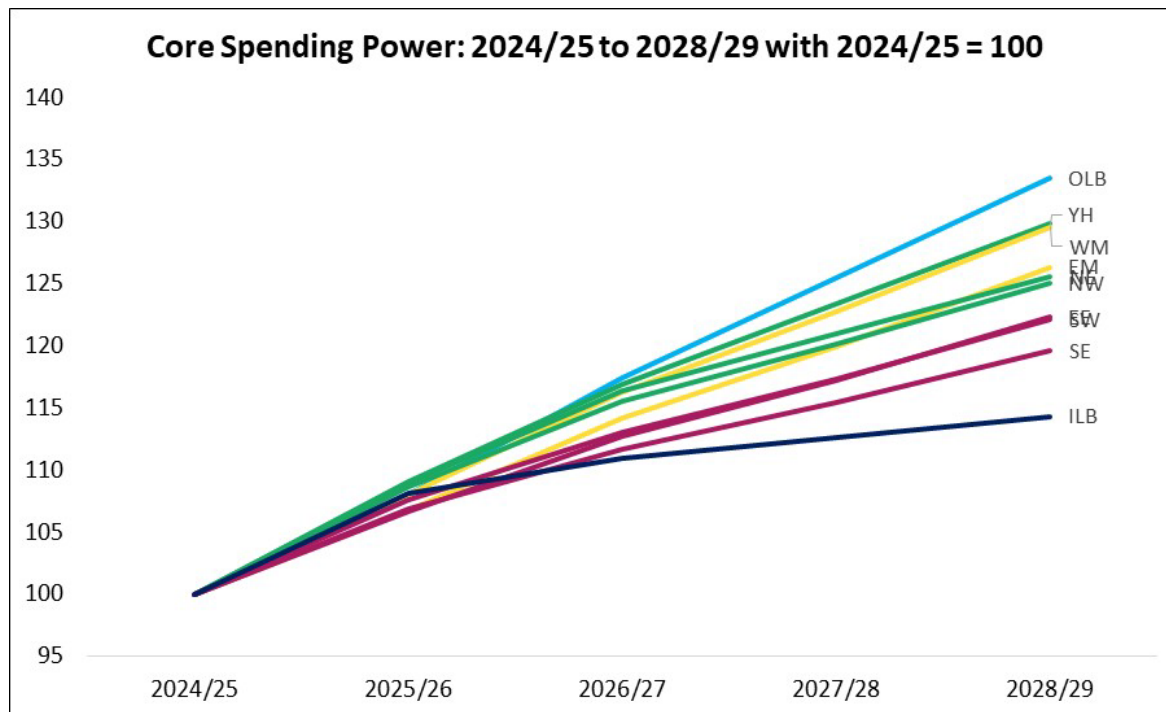
- Graph shows the changes including last year's (2025/26) one year settlement.

How is the additional cash distributed?



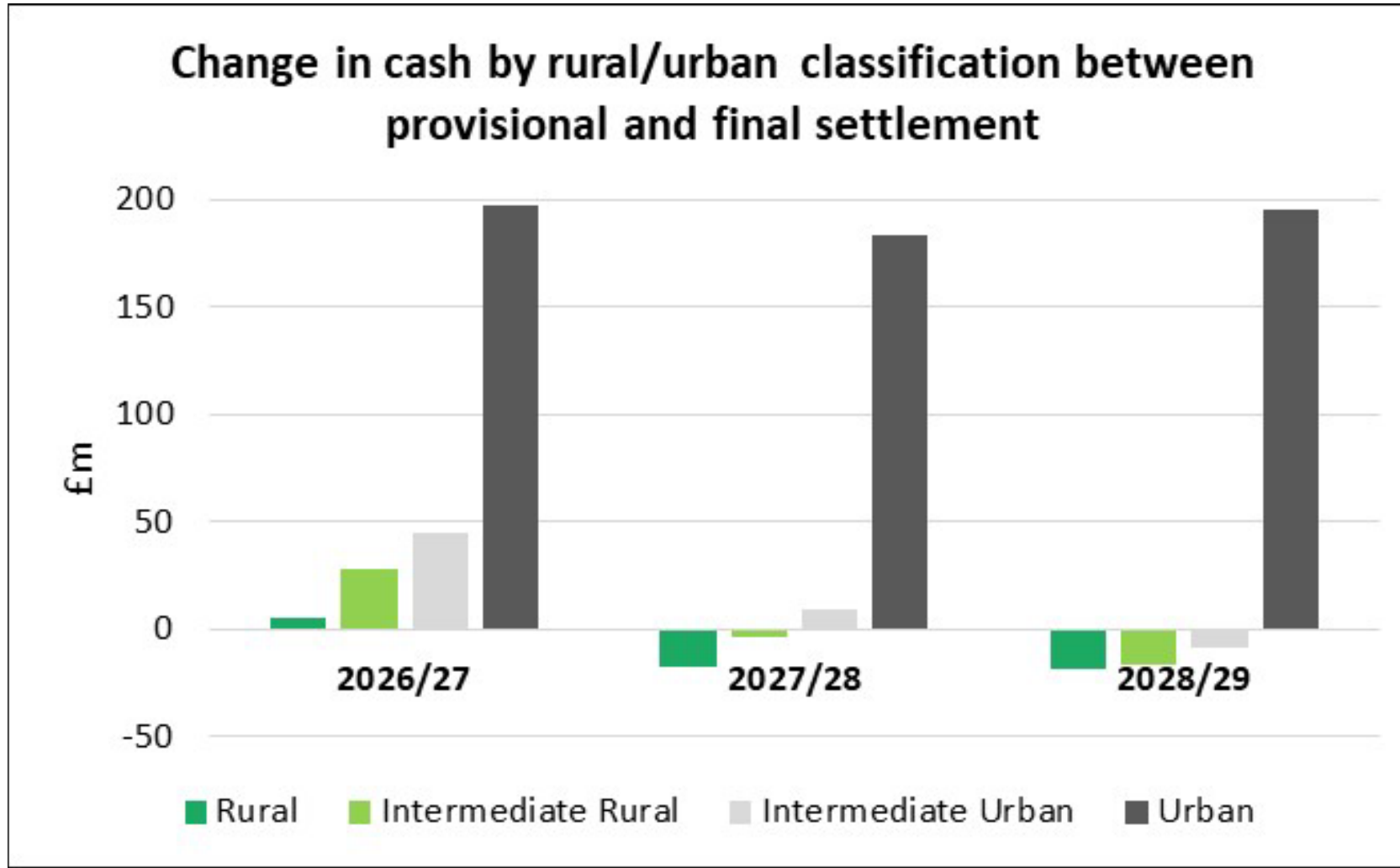
- Additional funding highest in NW (NW MPs pressure perhaps?!)

Regional change in CSP over three years



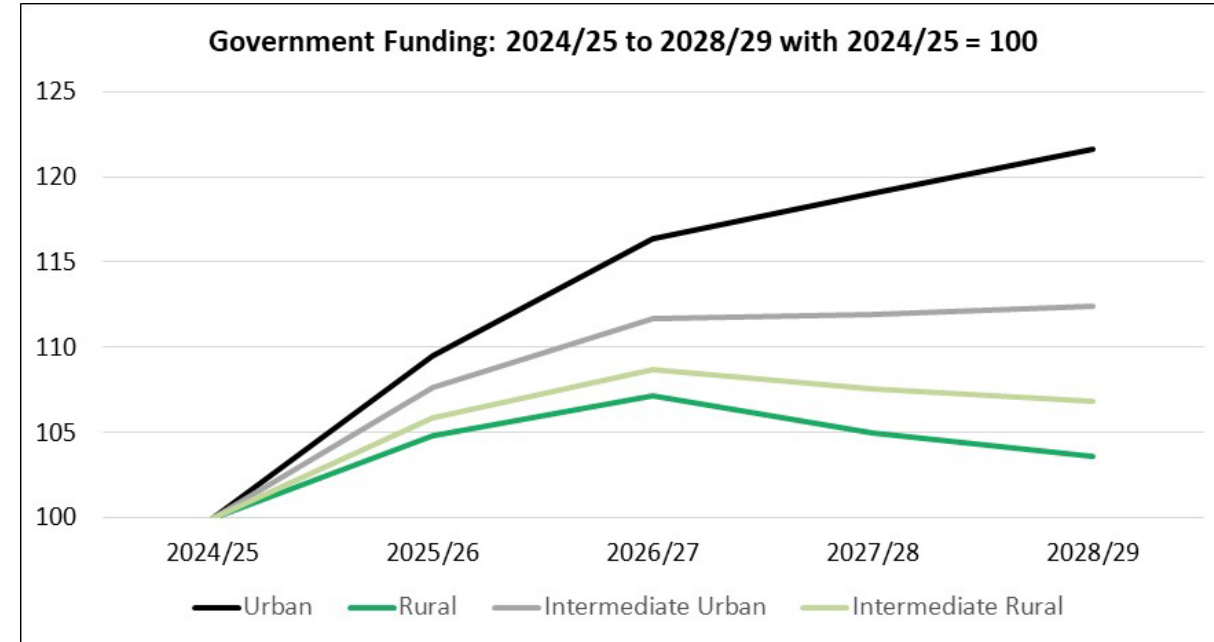
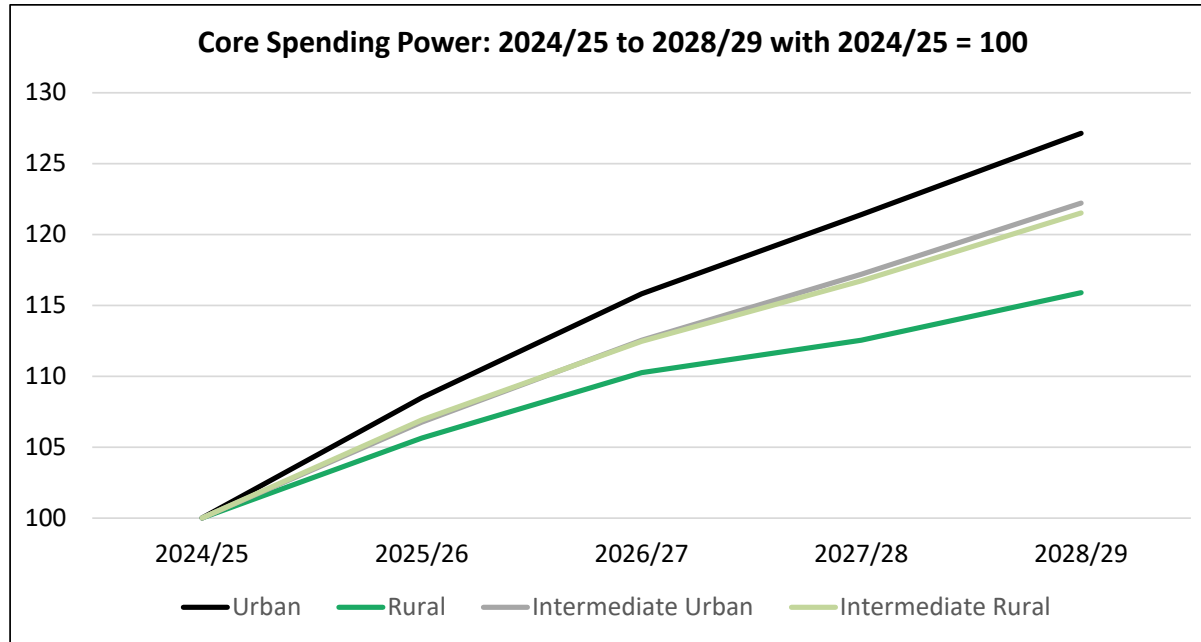
- After Outer London, it is the Midlands which has fared best, followed by the North and then the South.
- Surprisingly, both NE and NW below average increases in CSP over next three years – this position improved with additional funding.

How is the additional cash distributed?



- Almost all additional funding has gone to urban areas.
- Rural areas have done particularly badly in this and last settlement and rural lobby completely ignored.

Rural/Urban classification change in CSP

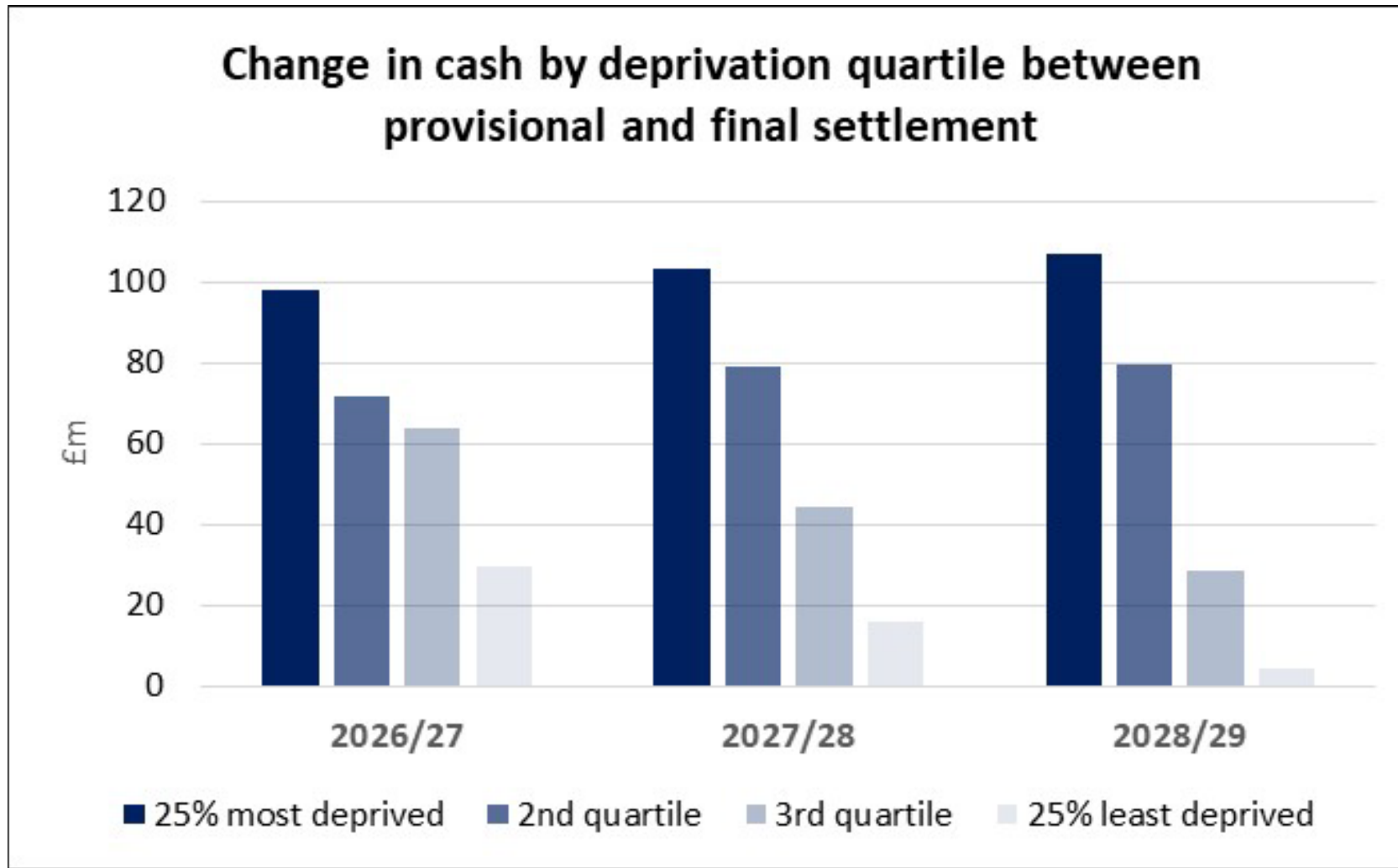


- Rural authorities are amongst the biggest losers in terms of CSP and government funding changes over the next three years.
- IMD2025, Recovery Grant favouring urban much more and the loss of RSDG last year compounded by removal of remoteness in the 3 year settlement.

So has the Government achieved its aims?

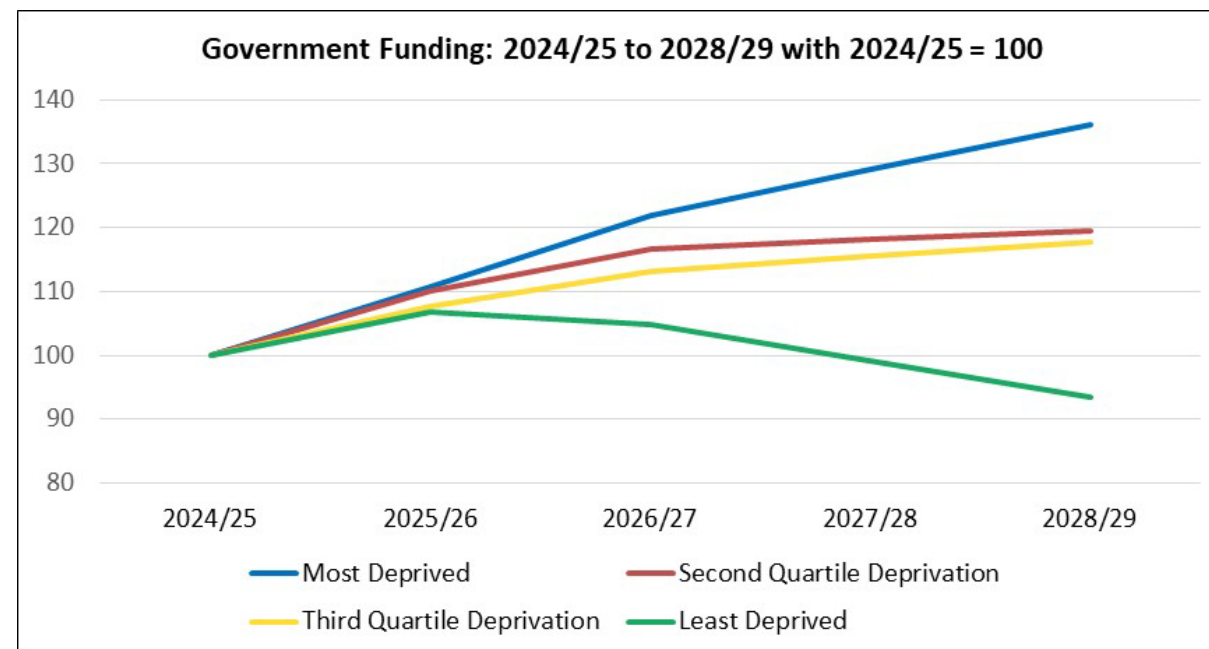
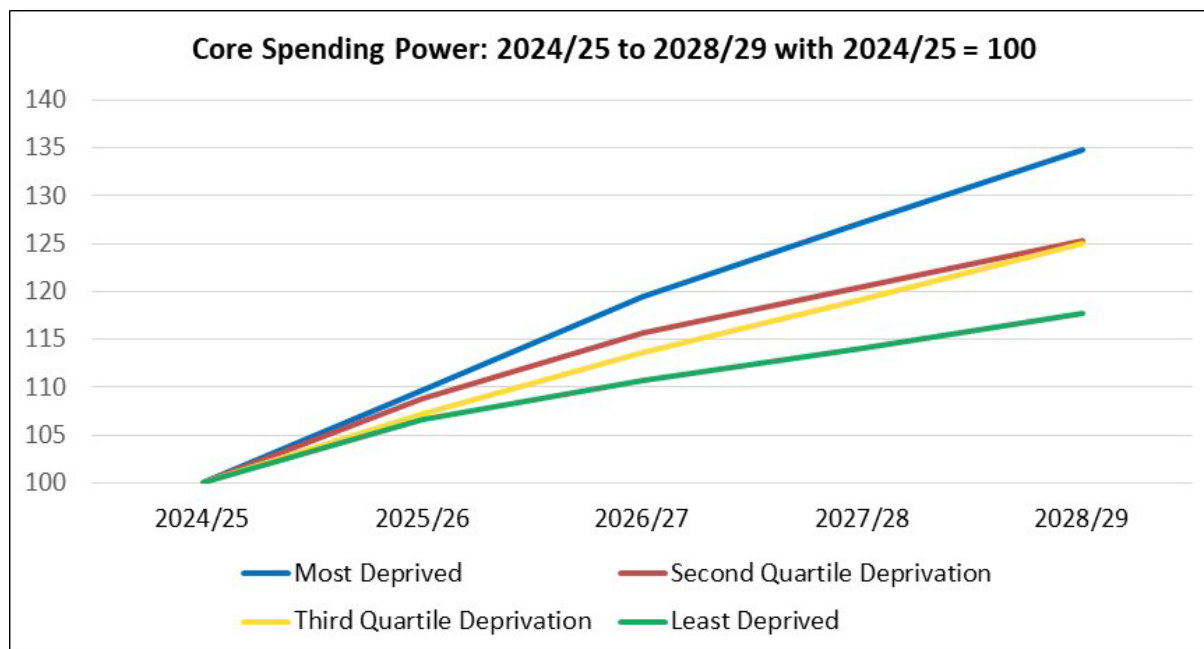
- Do we have Fair Funding?
- Are the changes between provisional and final settlement fair?

How is the additional cash distributed?

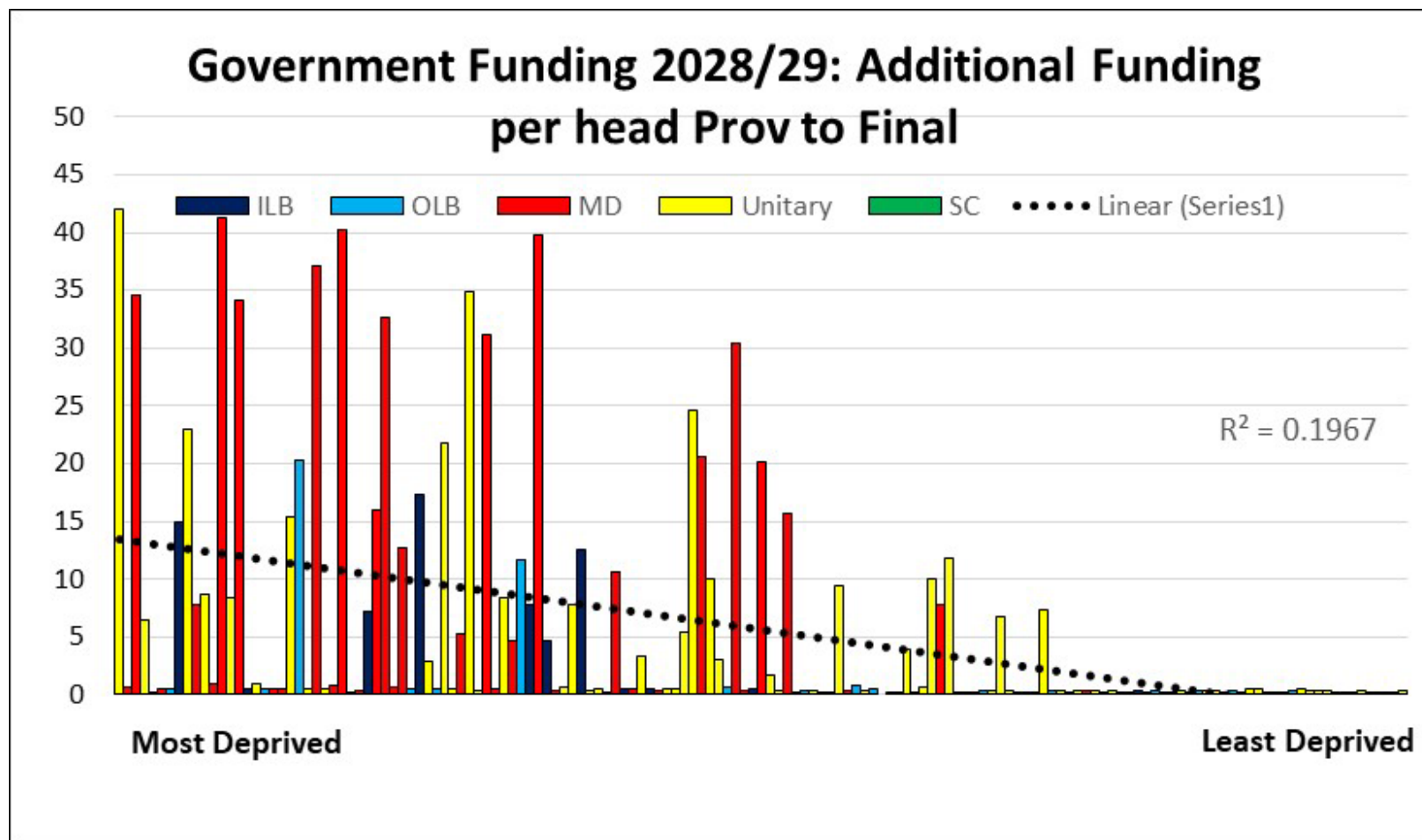


- Additional funding distributed more significantly to more deprived areas.

Deprivation: Upper Tier authorities



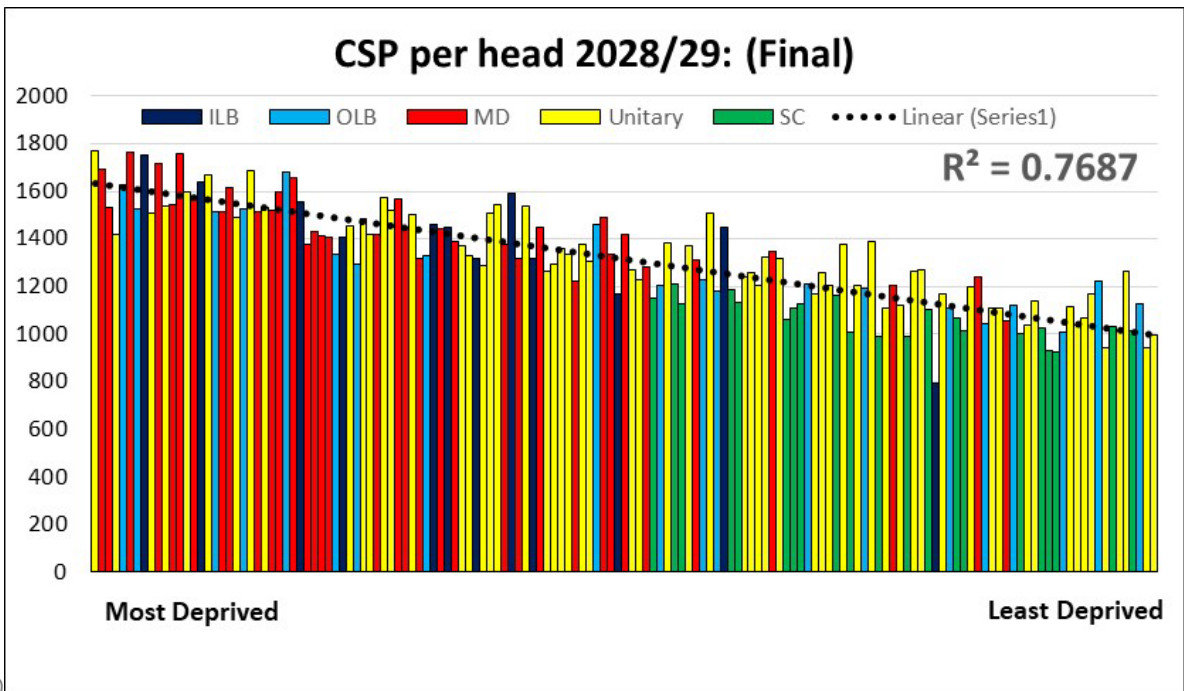
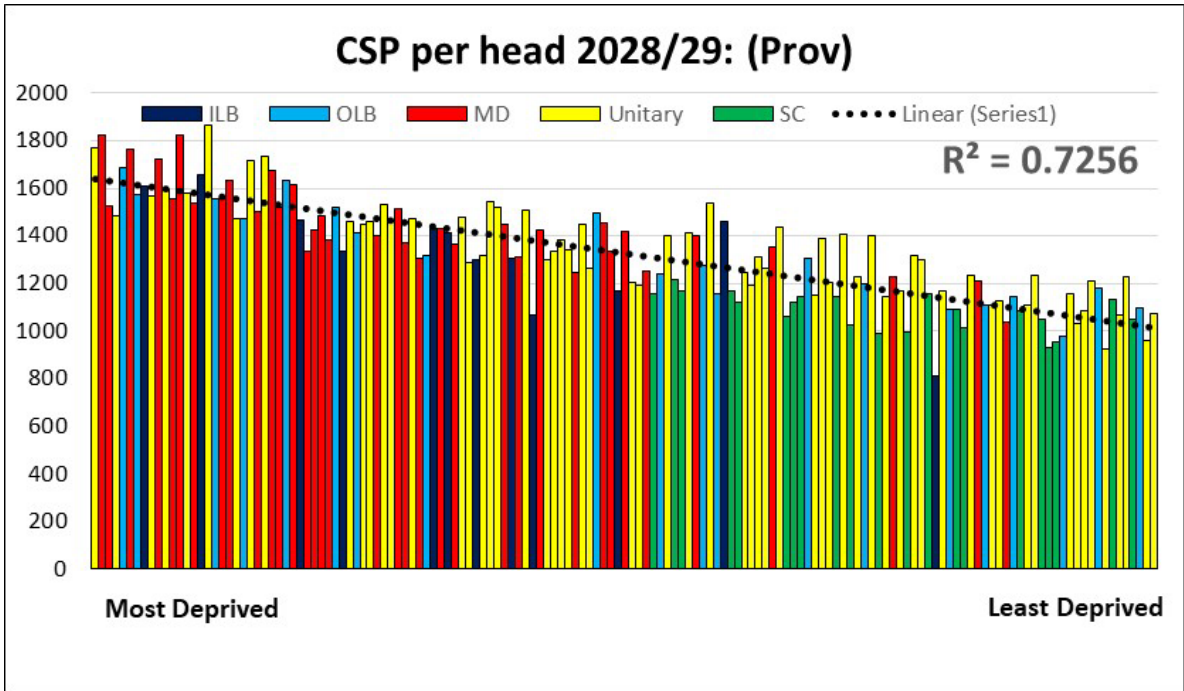
- Core Spending Power gains highest in most deprived authorities and lowest in least deprived authorities.
- These changes driven via Government funding (given that council tax changes similar) redistributions.



Additional final settlement funding in 2028/29 by IMD ranking

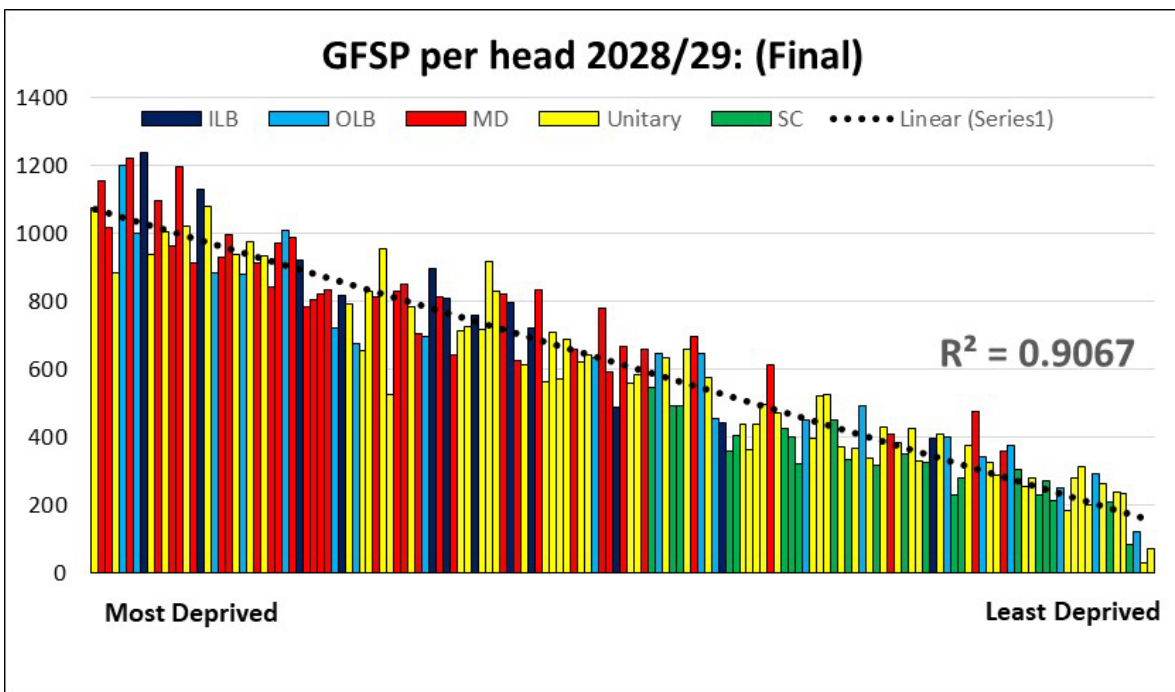
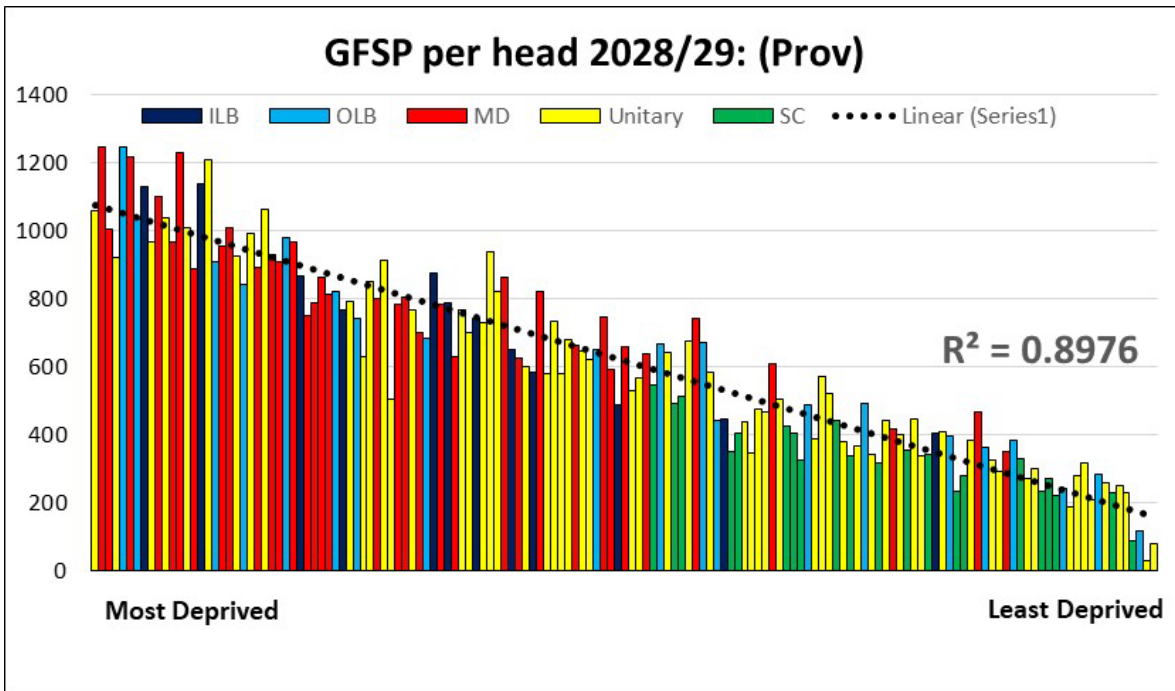
- Additional funding in 2028/29 shown according to deprivation ranking.
- This is mainly a Recovery Grant Uplift funding.
- But not all deprived authorities received uplift (due to floors and limits).

Core Spending Power by IMD ranking: Upper Tier



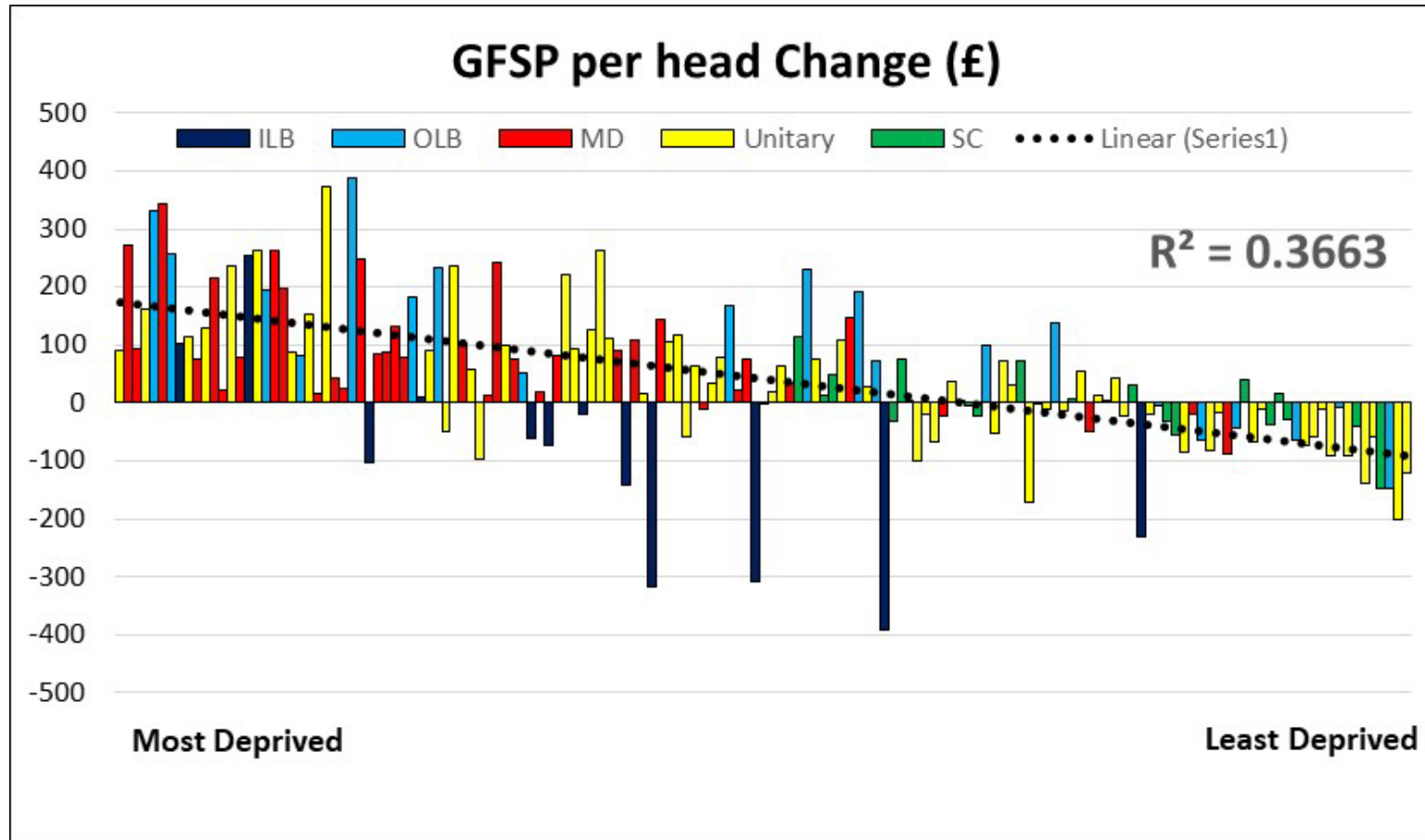
- Comparing CSP per head for 2028/29 between provisional and final settlements.
- Final settlement shows an even more fair distribution than the provisional settlement – increased R-sq score.
- This would support an assertion that the changes in the final settlement made make the funding even fairer.

Government Funding by IMD ranking: Upper Tier



- Comparing Government Funding per head between provisional and final settlements.
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- This would support an assertion that the changes in the final settlement made make the funding even fairer.

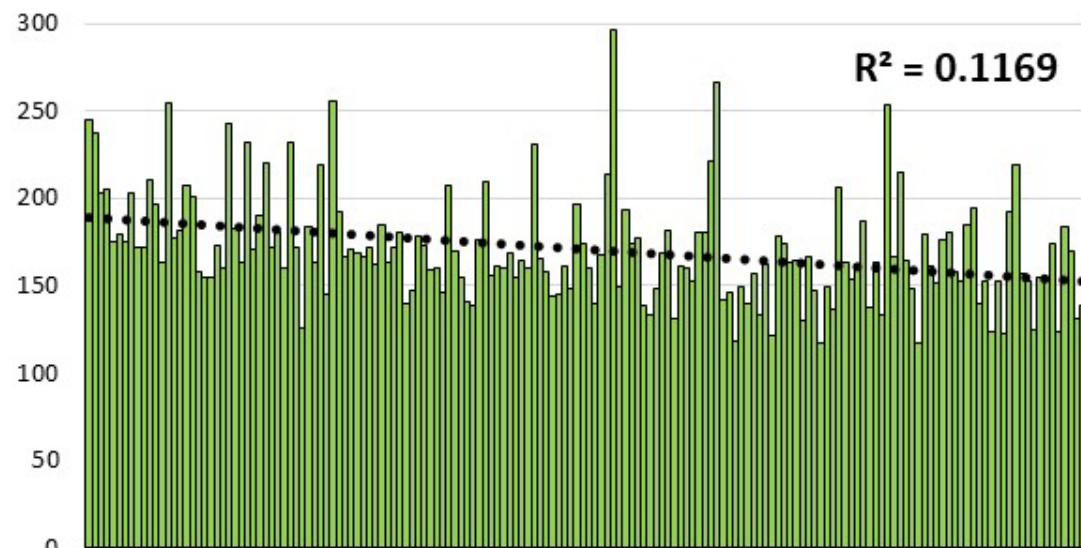
Government Funding by IMD ranking: Upper Tier



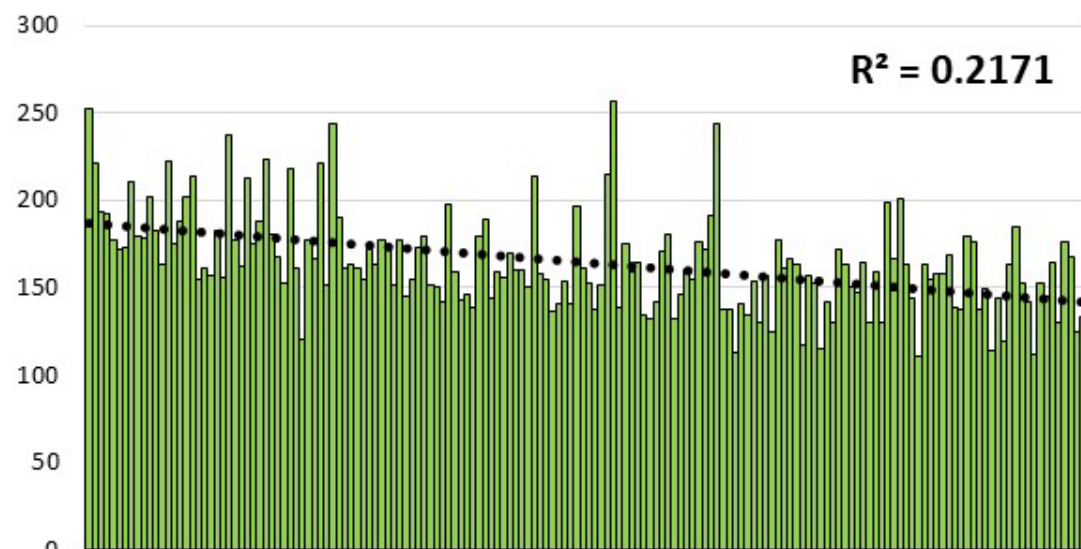
- Graph shows change in government funding per head between 2025/26 and 2028/29.
- Big increases across most (but not all) OLBs and significant reductions for most ILBs.
- Some Mets (e.g. Bradford) and Unitaries (e.g. Luton) have gained significantly but some have done much worse than average. A number of mets and unitaries that did less well in provisional settlement subsequently boosted by Recovery Grant Uplift.

CSP by IMD ranking: Districts

CSP per head 2028/29: (Prov)



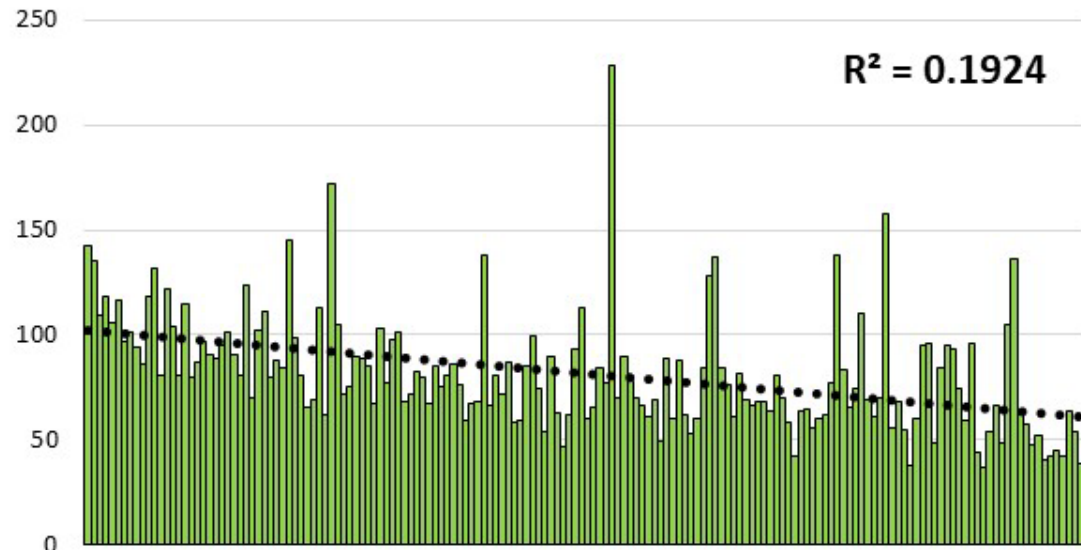
CSP per head 2028/29: (Final)



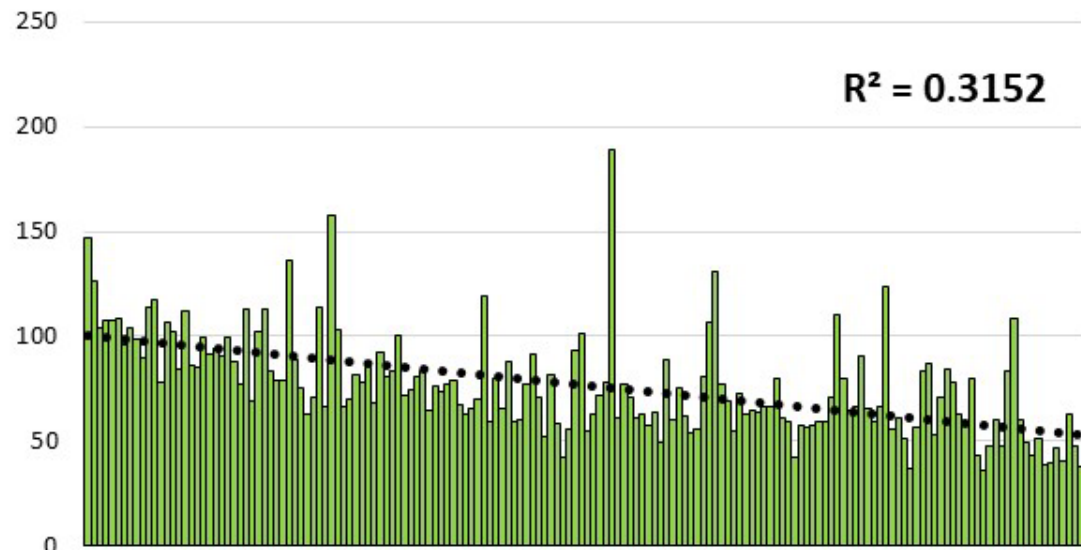
- Comparing CSP per head for 2028/29 between provisional and final settlements.
- Final settlement for 28/29 shows a slightly more even distribution against line of best fit but much less so than upper tier.
- Much lower correlation between deprivation and funding for districts.
- Suspect inclusion on business rates gain also distorts any correlation, as will the new temporary accommodation RNF.

Government Funding change by IMD ranking: Districts

GFSP per head 2028/29: (Prov)



GFSP per head 2028/29: (Final)



- Comparing Government Funding per head between provisional and final settlements
- Very slight correlation between deprivation and IMD levels – although improved by final settlement changes.
- Not that surprising given that district services are more focussed on all households (e.g. waste collection) and less on vulnerable groups.
- Suspect inclusion of homelessness as part of needs, inclusion of business rates gains and resources adjustment also distorts any correlation.

Do we have Fair Funding? A personal view

- Government has herculean task to deliver fair funding after 13 years without a full needs and resources reset.
- They have over last year's settlement and this three year provisional settlement overseen massive redistribution.
- If levels of government funding per head are a proxy for fairness then I can see an argument that the redistributions are **fairer** and also final settlement changes made it fairer still.
- Some will feel that the allocations are very unfair – rural authorities and Inner London.

Are the changes between provisional and final settlement fair?

- 4 issues at provisional
 - Population projections – 4 years out of date now corrected,
 - Business Rates pooling gains – redistributed from districts to Counties – in 2026/27 Adjustment Support Grant has compensated districts for the loss – no support beyond 2026/27 announced. Complex but fair process that might have been introduced very late after pressure from sector. Might have been avoided if consultation/exemplifications had been better!
 - Council taxbase second homes error – no correction meaning some ILBs and districts with high second homes will be denied transitional protection payments.
 - DSG support – excellent response from Government to cover 90% of accrued deficits (subject to further details!)