

Post-settlement consultation responses and analysis; NNDR1 completion

Adrian Jenkins/ Dan Bates/ Mark Catlow

9 January 2026



Agenda

- Provisional local government finance settlement – consultation responses (Adrian Jenkins)
- Provisional local government finance settlement – further insight and analysis (Dan Bates plus special guest!)
- NNDR1 completion (Mark Catlow)

Timescale and questions

- 14 January 2026 deadline for consultation responses:
- <https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2026-to-2027>
- Purpose of a response to a consultation (specific responses, communicate within organisation and to similar councils, get a change made)
- 4 weeks – not long enough, and first time authorities have actually seen officials numbers and exemplifications
- What can you expect to change? Very unlikely anyone gets less in the final – so if action has to be taken it will be to put more money in.
- 13-14 – additional rural funding.
- 16-17 – transition grant for counties.
- Not much in terms of money, but it is always additional
- Needs groundswell of MPs and a threat to the vote to get any traction. Is this likely?

Questions

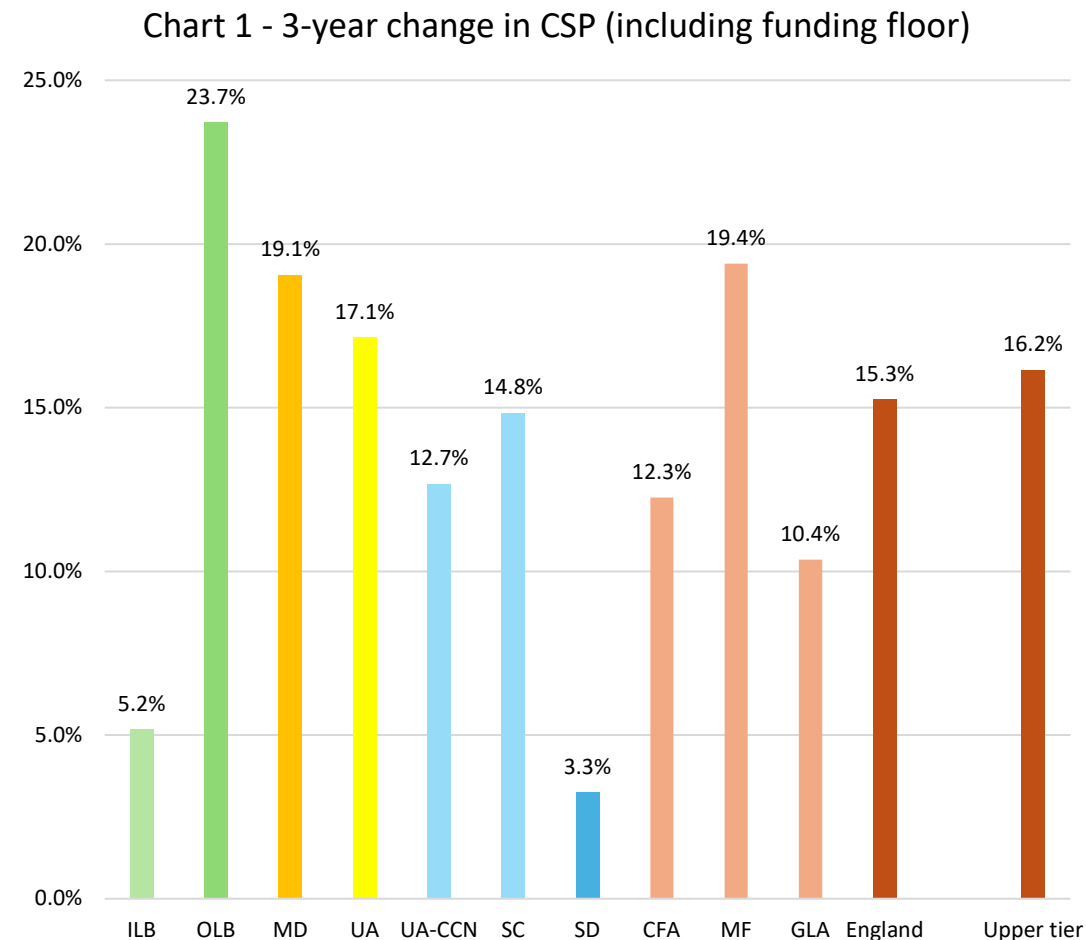
- **Question 1: Do you agree or disagree with the government's proposals for distributing the total Fair Funding Allocation across the multi-year Settlement period from 2026-27?** This encompasses the approach to Baseline Funding Levels, Revenue Support Grant, the Adult Social Care Relative Needs Formula distribution, the additional funding for local services, the approach to the Local Authority Better Care Grant, and the method for calculating tariffs and top-ups.
- **Question 2: Do you agree or disagree with the government's proposed transitional arrangements?**
- **Question 3: Do you agree or disagree with the proposed package of council tax referendum principles?**
- **Question 4: Do you agree or disagree with the government's proposed approach to distributing funding for the Families First Partnership programme via the final version of the Children and Young People's Services (CYPS) relative needs formula?**
- **Question 5: Do you agree or disagree with the government's proposed approach of continuing the IDB support grant for 26-27 but seeking an alternative solution from 2027-28?**
- **Question 6: Do you agree or disagree with the government's proposal on Mayoral Strategic Authorities in the Local Government Finance Settlement?**

Question 1: Do you agree or disagree with the government's proposals for distributing the total Fair Funding Allocation across the multi-year Settlement period from 2026-27?

- **Formulas and explanatory notes – transparency, robustness, accuracy**
- **2022-based population projections (vs mid-2024 estimates, winners/ losers)**
- **Remoteness**
- **Council tax equalisation**
- **2025 IMD and inclusion of housing costs**
- **Continuation of Recovery Grant**
- **Home-to-School Transport (HTST)**
- **Rolled-in BRRS income**
- **BRRS baselines (and BR pools)**
- **LA BCG**
- **Consolidated grants**
- **RNF weightings**
- **Other issues from the Summer Consultation**

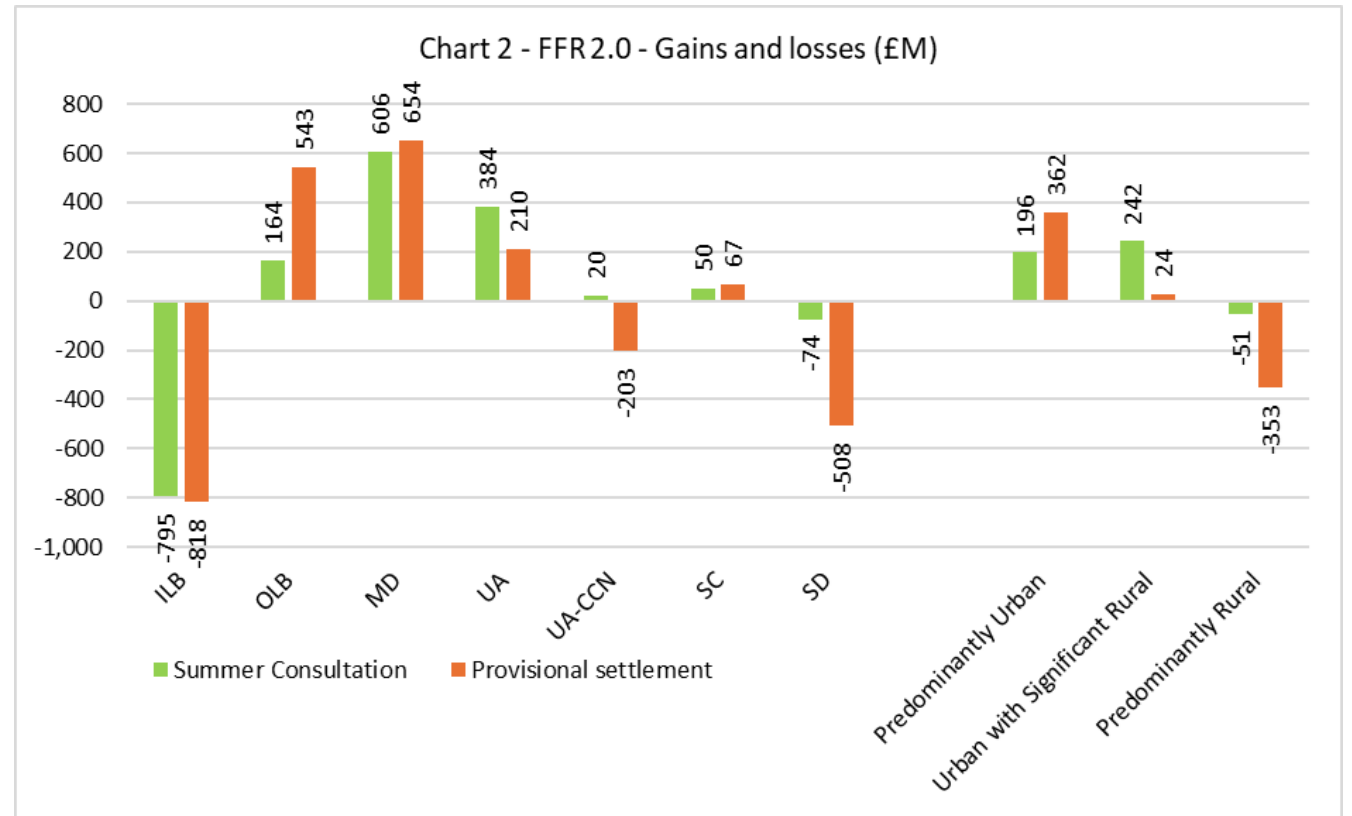
Overall change in Core Spending Power (25-26 to 28-29)

- **Winning areas** – Outer London, most Mets, some unitaries (e.g. Luton)
- **Outer London** – very good outcome, defensive response for most (not Richmond, Bromley, Bexley)
- **Metropolitan authorities** – broadly positive and good at the top end. But a surprising number of low increases. Some helped by the Recovery Grant Guarantee (e.g. Rochdale, South Tyneside) but some left out (Trafford, Stockport). <https://www.newstatesman.com/politics/uk-politics/2025/12/northern-labour-mps-feel-like-idiots-over-council-funding-cuts>
- **Inner London** – some expectation of reduction in funding but not much to challenge in the proposals (density?).
- **“The six”** – challenge the £150 Band D increase (unreasonable, arbitrary)
- **The rural-urban split.** PR increase is 12.8%, PU increase is 16.7%. Clear shift away from rural (remoteness). Some “losing” rural unitaries (e.g. Westmorland and Furness).
- **Districts are a very mixed group.** Urban districts with TA doing well. High-growth districts in pools very well. Others, not so much.
- **Fire** – improved and the real-terms floor helps.
- **Where is the political challenge going to come from?**
- **What are the challenges on technical grounds? (taxbase, population, remoteness)**



Movement compared to the Summer consultation

- Shows where ministers have made choices
- “it is difficult to see a principled basis for these decisions other than to achieve an overall allocation more in line with the government’s subjective judgement”, IFS , <https://ifs.org.uk/articles/immediate-response-local-government-finance-policy-statement>
- Further shift away from rural
- 2025 IMD and IDACI, Remoteness, Recovery Grant, HTST, changes in funding floor calculations
- Unlikely to be a significant issue in the responses or the political reaction – but important (to us) to see where ministers have made changes.

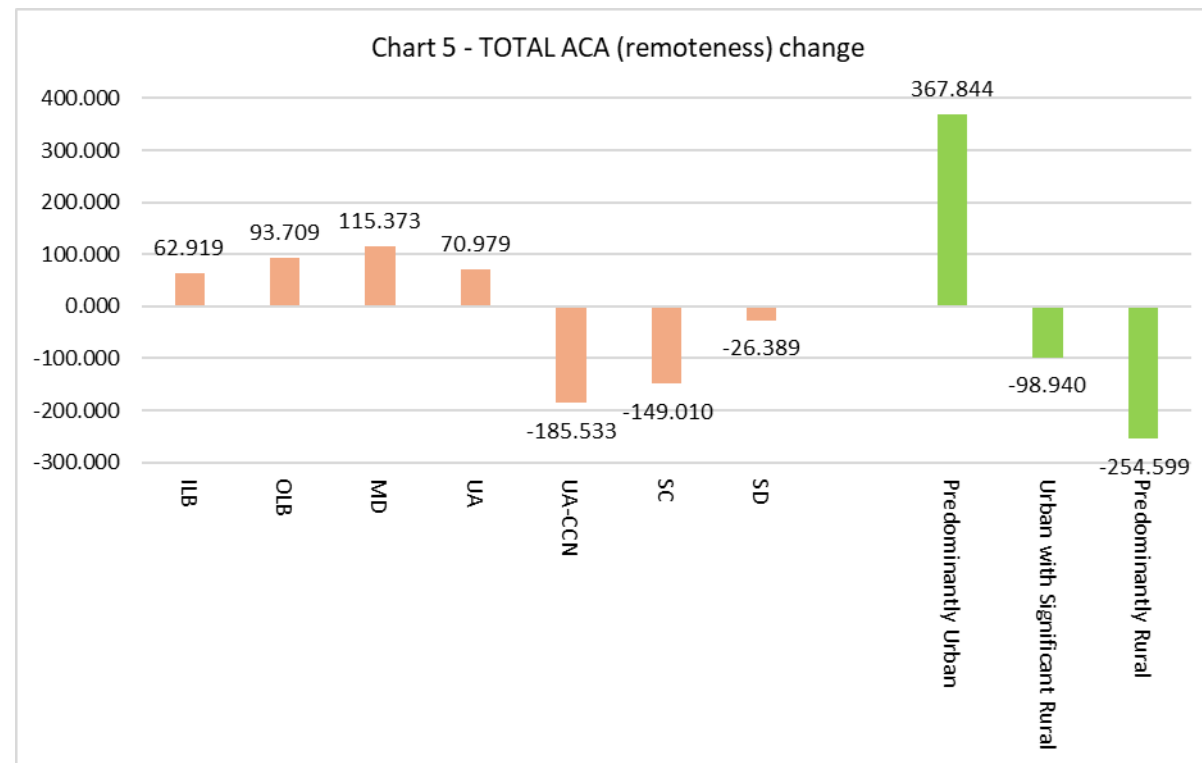


Quality of supporting information and evidence

- December 2024 consultation: new funding system will use the “best possible objective analysis and evidence”.
- Ministerial statement on 17 December 2025: “We will introduce an evidence-led system of determining need”.
- MHCLG has provided “explanatory notes” rather than the data and calculations themselves
- “allow experts in local government to understand the calculation and review it.”
- Without the actual data, it is not possible to check that correct data has been used, or that calculations are accurate
- Specific issues around the population datasets, and also visitor and commuter data
- Generally lacking in transparency, particularly in the large formulas for children’s and (to a lesser degree) adult social care.

Remoteness

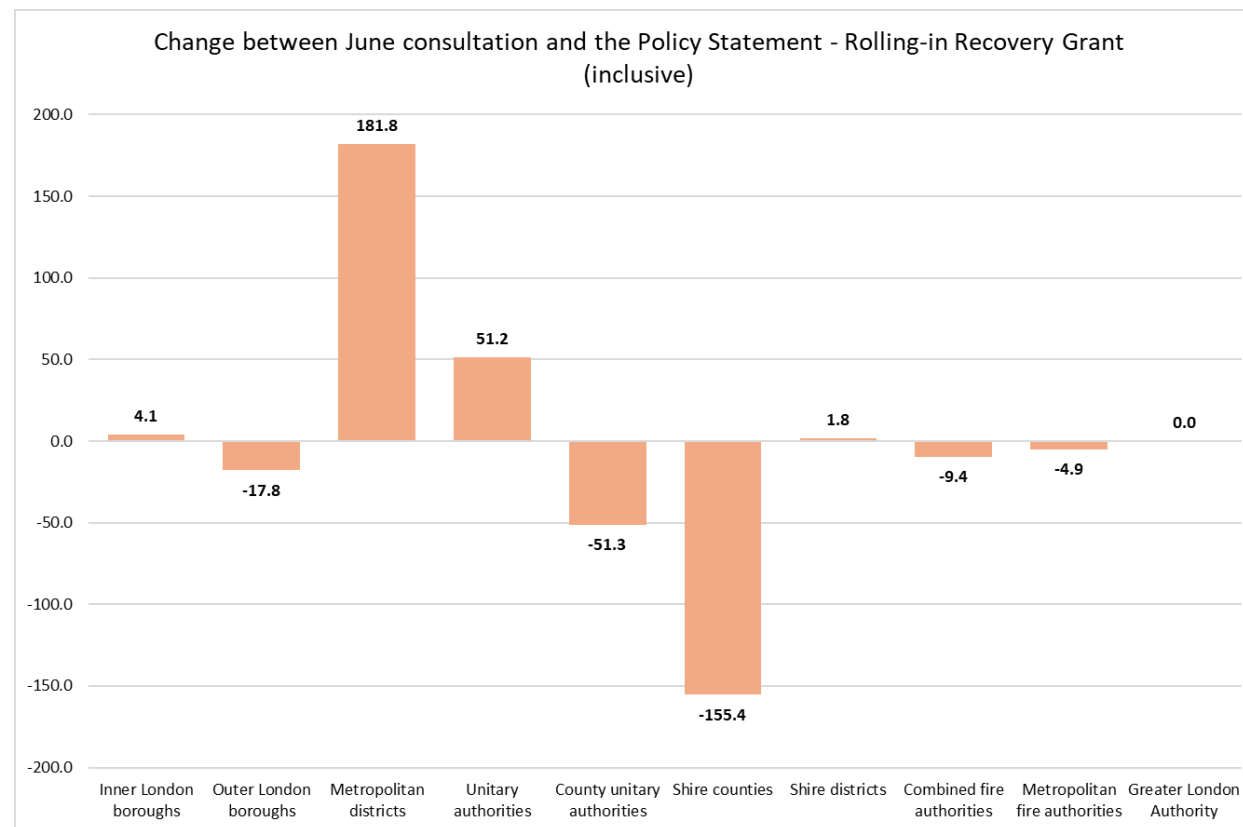
- Decision to remove Remoteness from the Area Cost Adjustment (ACA) in every RNF (except ASC)
- “compelling theoretical case for including this adjustment”
- Research undertaken by MHCLG produced weightings for the dispersal and traversal indicators, but not for remoteness
- MHCLG asked authorities for 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%

Continuation of Recovery Grant

- 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”.
- **The case for:**
- Delivers an overall outcome where CSP per head is better correlated with deprivation (IMD)
- It is based on an assessment of “needs”, using recent IMD
- Ideally MHCLG would have introduced other RNFs to do the same job (e.g. capital financing RNF, concessionary fares RNF) [working papers from Paul Woods]
- **The case against:**
- FFR was supposed to replace ad hoc funding arrangements; opportunity to use an evidence-based approach
- Methodology is out-of-date (old IMD), and is flawed (cut-offs) – OK for a one-off, but not for 4 years
- Double-weights deprivation (already included within Foundation Formula)



Continuation of Recovery Grant redistributes less than you think it might because recipients were already getting a large share of the £600m

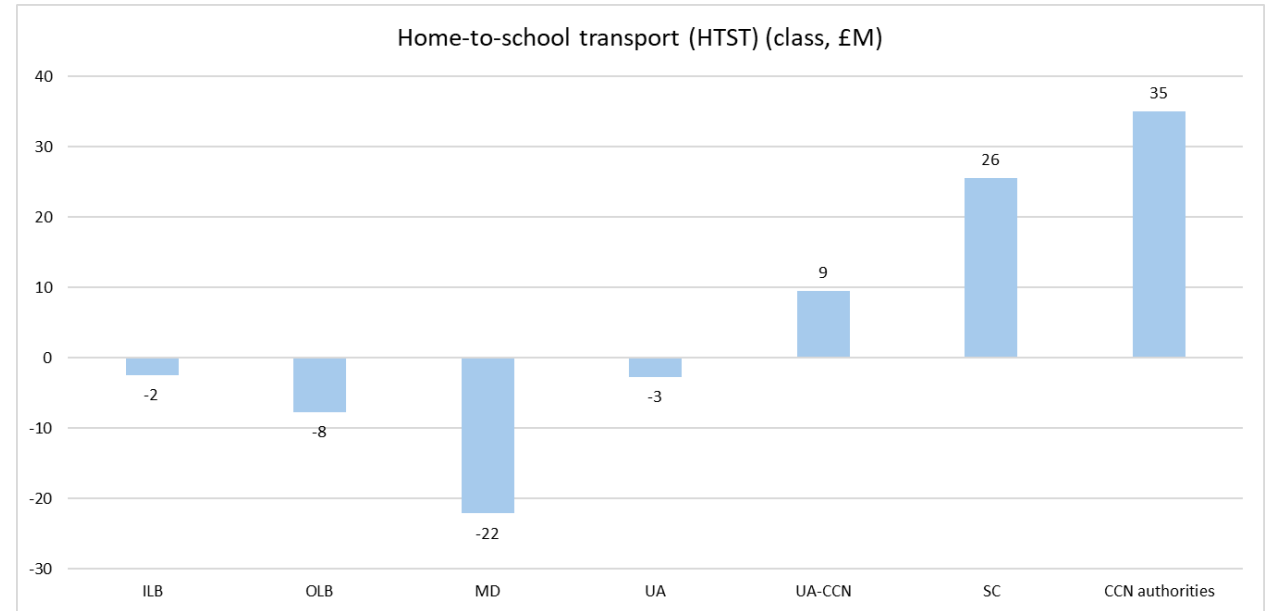
2022-based population projections

Class	Mid-2024 population estimates	2026 population projection	2027 population projection	2028 population projection	Variance (2026)	Variance (2028)
London boroughs	9,089,736	9,284,300	9,303,947	9,332,957	2.1%	2.7%
Metropolitan districts	12,566,058	12,448,928	12,496,199	12,542,234	-0.9%	-0.2%
Shire counties	19,992,284	19,856,181	19,948,950	20,038,832	-0.7%	0.2%
Unitary authorities	16,972,023	16,706,062	16,767,818	16,826,801	-1.6%	-0.9%

- Not clear which version of the ONS projections have been used – not confirmed yet by MHCLG
- Population in CSP table does not match any of the published projections
- Assume population projections used within RNFs is correct
- Impact of using projections compared to latest mid-year estimates
- Alternative would have been to commission 2024-based population projections (similar to 2013-14 settlement)
- Variances between latest mid-year estimates and population projections is significant for many authorities.
- Projections between 10% and 35% higher for many ILBs (Camden 2024MYE 216,000 2028PP 292,000, Westminster 2024MYE 209,000 2028PP 281,000)
- Also, Islington (+14%), Hackney (+13%), Coventry (+11%), Tower Hamlets (+11%), and Cotswold (+11%).
- Projections >10% lower for some authorities by 2028 (Cambridge 2024MYE 149,000 2028PP126,000, Luton 2024MYE 239,000 2028PP 206,000, Ealing 2024MYE 385,000 2028PP 336,000)
- Many authorities with highest recent population growth has largest gap between MYE and projections.

Home to School Transport RNF

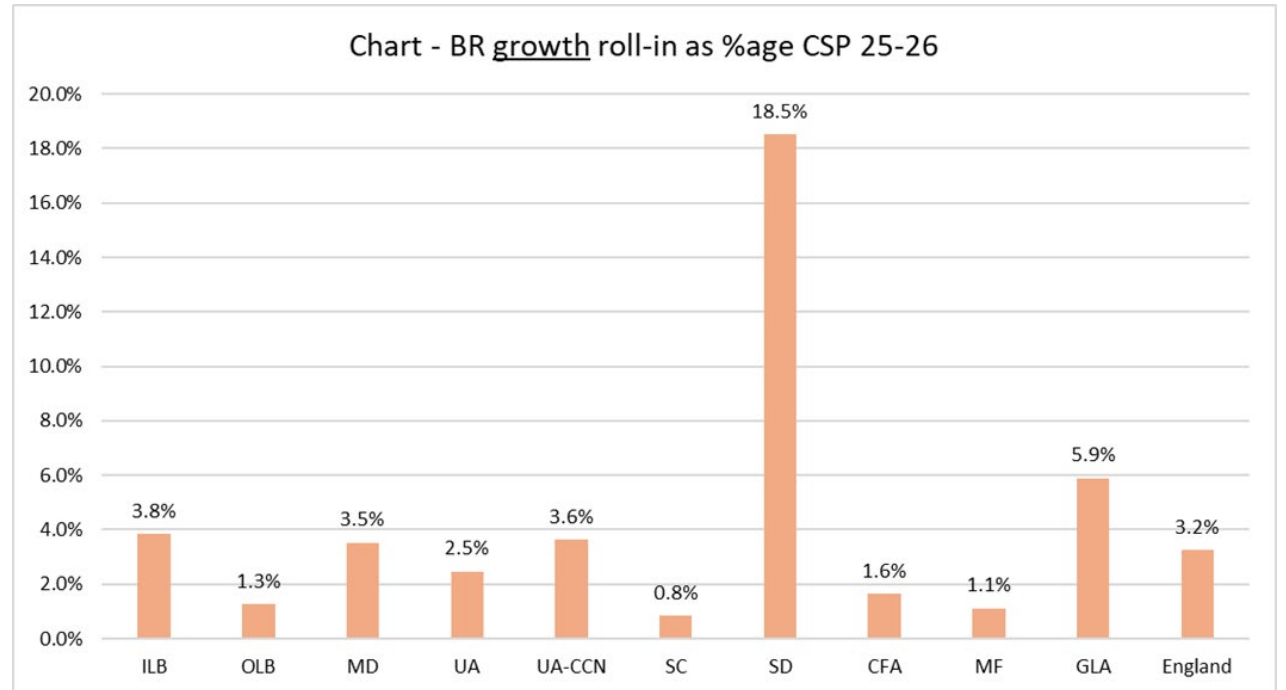
- Cap on journeys of 20 miles has been replaced by 50-mile cap
- Justification for capping at 50 miles is reasonable (excludes outliers, few authorities had journeys above 50 miles)
- How reliable is the data? Can authorities check?
- Favours county authorities with sparser geographies (Norfolk, North Yorkshire, etc) -but gain for some is very small (e.g. Westmorland and Furness)
- Remoteness was not in the HTST ACA in June, so no negative impact of removal on county authorities



Local authority	Class	£M	%
North East Lincolnshire	UA	1.041	22.0%
Norfolk	SC	9.979	15.6%
North Yorkshire Council	UA-CCN	3.348	7.8%
Lincolnshire	SC	3.723	6.9%
Suffolk	SC	3.081	6.4%
Cornwall	UA-CCN	2.149	5.8%
Hampshire	SC	3.402	5.3%
Devon	SC	2.378	4.9%
Cambridgeshire	SC	1.658	4.1%
Wiltshire	UA-CCN	1.280	4.1%
Essex	SC	2.286	2.9%
Oxfordshire	SC	1.082	2.8%
West Sussex	SC	1.256	2.5%

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



BRRS baselines

- Business Rates Baselines (BRB). Full reset in 2026-27 based on 2026 RV. May want to challenge full reset but it has been policy for over a decade. Focus on next reset! Predictable, partial, rolling resets in future?
- Baseline Funding Level (BFL). Reasonable approach but complicated and very late.
- BR pools. Some authorities still pursuing (deadline 14 January to confirm): any takers?
- BR pools. Update to the MTFP model. “Pool” tab now picks up inputs using a hidden tab until we have the NNDR1 in February/ March

Other Summer consultation issues

- **Highways Maintenance RNF.** There were some outstanding issues about the impact on rural authorities (unexpected changes not explained)
- **Foundation Formula** – weighting of deprivation (previous MHCLG analysis indicated between 0.4% and 4.0%). Wider question about the “correct” weighting for deprivation – political choice to move towards stronger correlation.
- **Resident and non-resident population.** Decision not to give equal weight to non-residents. But outstanding questions about the datasets used.
- **Tier splits** for London Boroughs (set at 93.1% and GLA at 2.3%)

Question 2: Do you agree or disagree with the government's proposed transitional arrangements?

- Objective was to eliminate damping over funding period – not achieved
- Bulk of transition is undertaken using 3-year phasing (25-26 baseline is very important, interaction with funding floors)
- Funding floor cost – very expensive, and cost increases over 3 years
- Funded from top-slice not from scaling-back (scaling means those with highest gains pay most, rather than those with the highest needs)
- Some councils caught in the middle – below average CSP increase, but not getting funding floor
- Inconsistency – dropped floor (95%), Recovery Grant Guarantee, real-terms protection (GDP Deflator) (decisions are arbitrary, not linked to affordability or 3-year transition)
- Affordability and financial sustainability (real-terms and cash-terms protection)
- Cliff edge (some authorities significantly above funding target)

Funding floor allocations

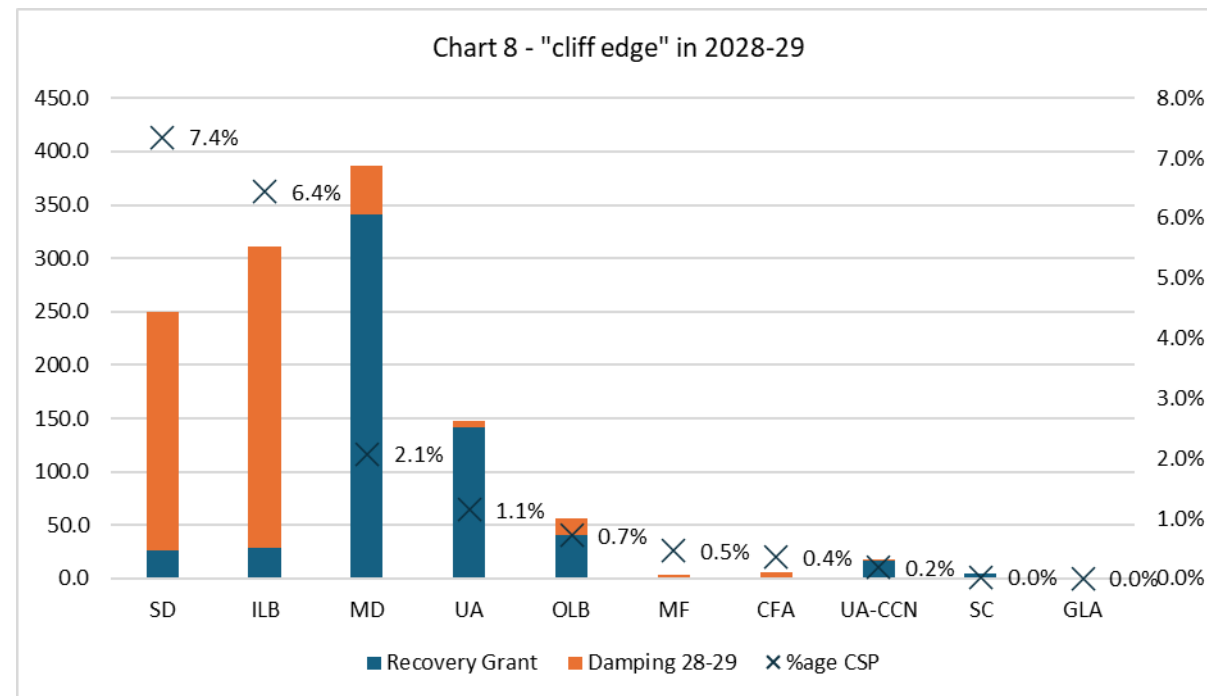
Tier/ class	Criteria	Protection
Recovery Grant Guarantee	Authorities receiving Recovery Grant in 25-26 (excl shire districts)	Real-terms protection (105% in 26-27, 106% in 27-28 and 107% in 28-29)
Fire authorities	All authorities	Real terms protection (TBC)
Upper tier	<15% above funding target	Cash-terms protection
Lower tier (shire districts)	<15% above funding target	
Upper tier	>15% above funding target, low Band D	95% protection (i.e. -5% floor in 2026-27, 0% in following two years)
Lower tier (shire districts)	>15% above funding target	

		100% income protection floor	95% income protection floor	Fire and Rescue real-terms floor	Recovery Grant Guarantee	Total
2026-27	£M	40.5	103.9	2.5	148.8	295.7
2027-28	£M	91.1	179.6	5.8	113.3	389.8
2028-29	£M	143.3	296.2	9.1	98.6	547.2
2026-27	No of LAs	38	38	5	22	
2027-28	No of LAs	39	64	5	14	
2028-29	No of LAs	39	70	5	13	

- Total cost of funding floors £1.3bn over 3 years and increasing over time
- 95% floor pulls in more authorities over time (district councils)

Cliff Edge

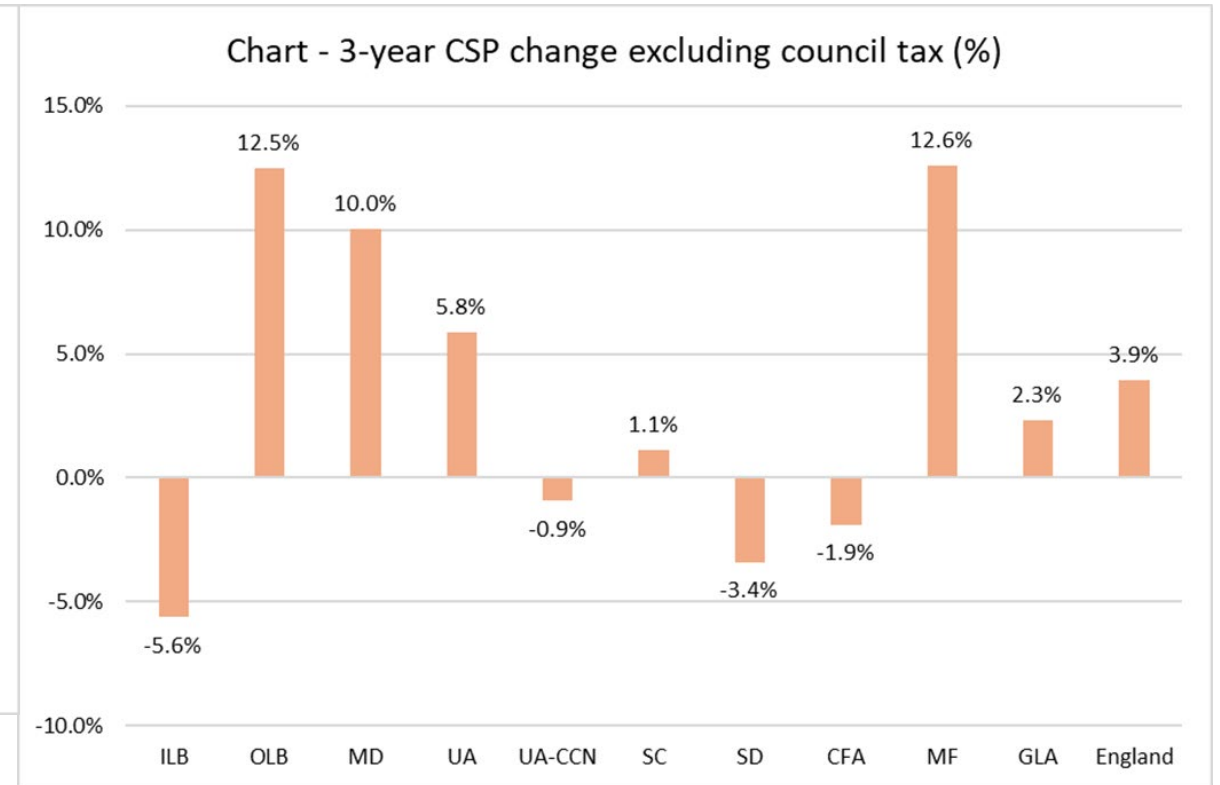
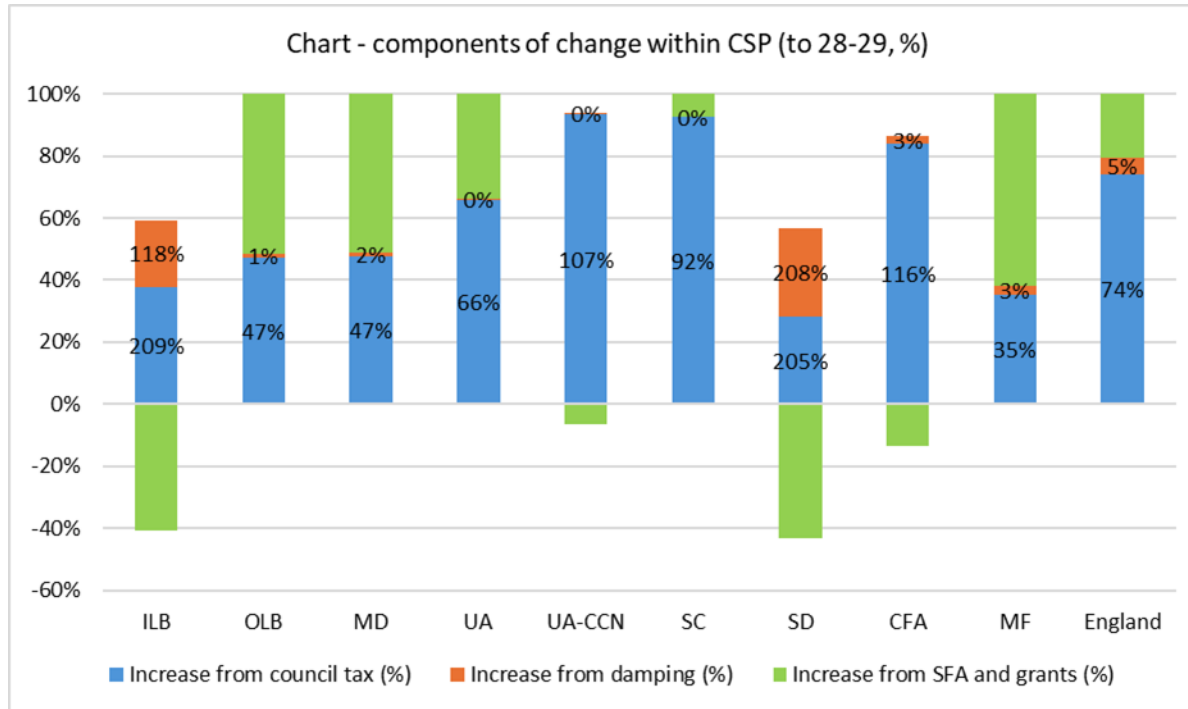
- “We know councils are concerned about what happens at the next spending review and we will continue to work closely with them to avoid cliff edges in funding.”
- Consultation in December 2024: “temporary Transitional Arrangements”, “we propose moving authorities to their updated allocations over several years”
- Some councils (esp inner London boroughs and shire districts) will be substantially above funding target in 28-29
- Some shire districts could also have further business rates growth by 2028-29
- Very unlikely that these authorities can be brought in line with any realistic funding target in the foreseeable future – implies permanent damping
- Issue for Mets with Recovery Grant is different – it based on a measure of needs (if not the one in the FFA). These Mets better served by addressing FFA.
- Will LGR make the problem go away in shire districts?



Question 3: Do you agree or disagree with the proposed package of council tax referendum principles?

- Views on the thresholds themselves (local determination, political considerations, affordability)
- Reliance on council tax increases (CSP increases without council tax)
- Components of change
- The £150 council tax issue – what is it worth to other authorities? Richmond and Wandsworth
- Second-homes premium – included within the taxbase projections

CSP change without council tax increase



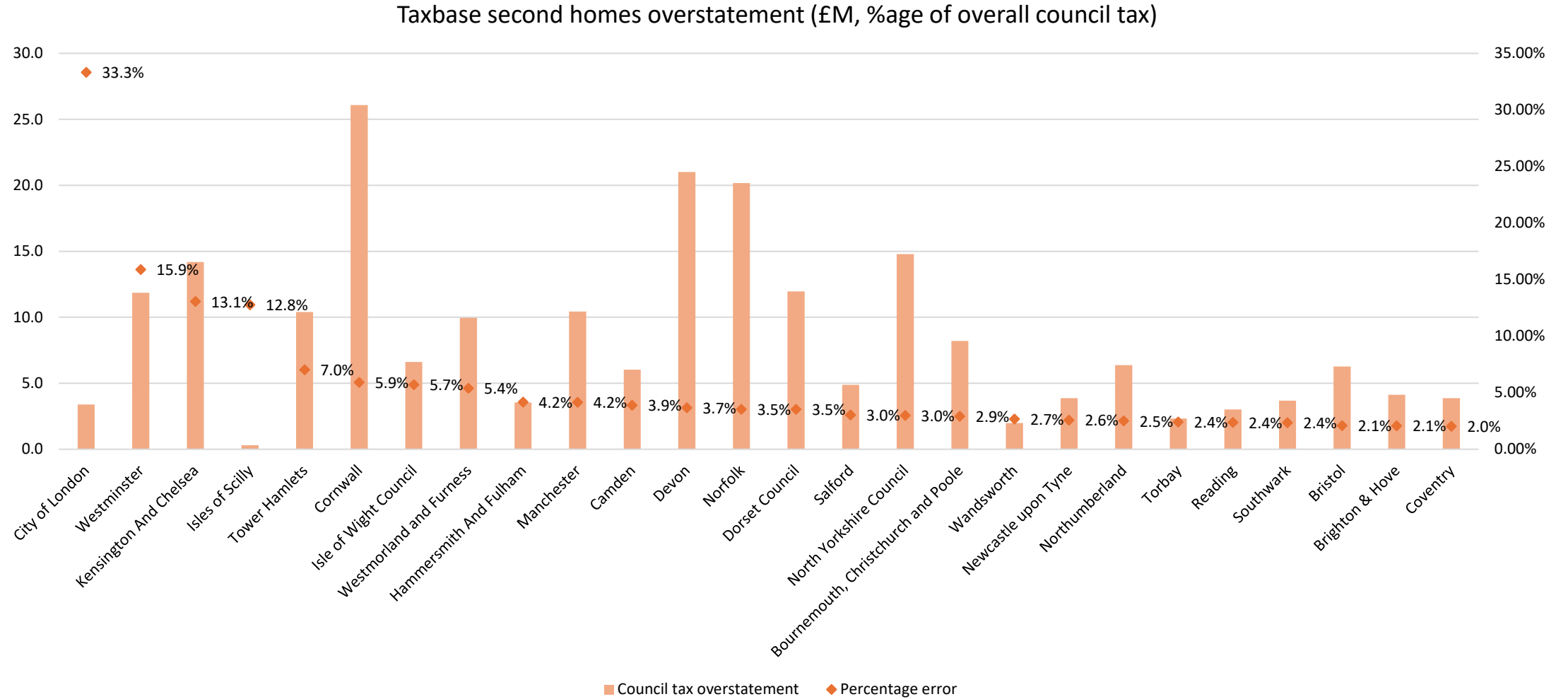
- CSP increases very reliant on assumed increases in council tax (74% of increase funded by council tax)
- Can either present as proportion of your increase, or show CSP increase without council tax uplift
- Ministers wanted outcome of settlement to reflect ability to generate council tax income

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?

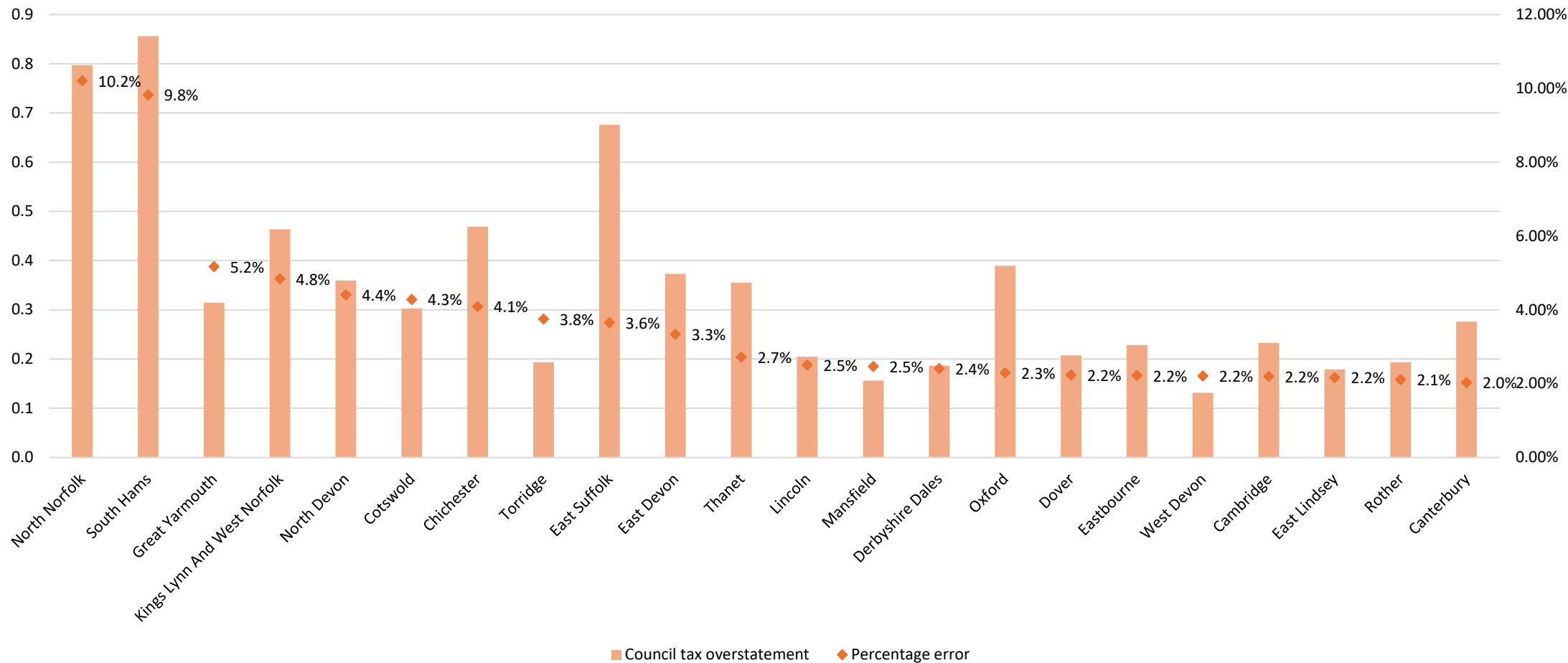
Local authority	Class	Revised council tax	Percentage error
Inner London boroughs	ILB	61.9	4.08%
Outer London boroughs	OLB	18.3	0.55%
Metropolitan districts	MD	53.9	0.83%
Unitary authorities	UA	58.9	1.04%
County unitary authorities	UA-CCN	91.9	1.80%
Shire counties	SC	143.2	1.17%
Shire districts	SD	16.1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

Second-homes taxbase projections (UT, above 2% ctax)



Second-homes taxbase projections (LT, above 2% ctax)

Taxbase second homes overstatement (£M, %age of overall council tax)

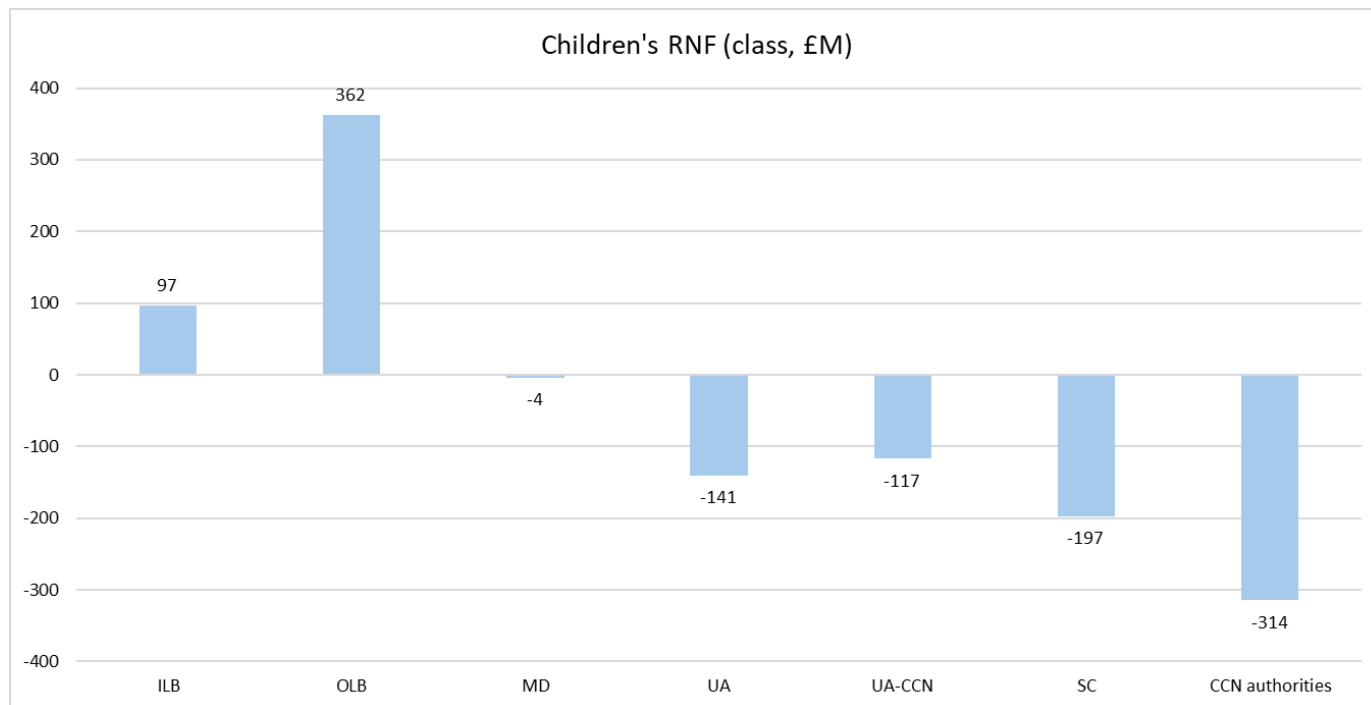


Question 4: Do you agree or disagree with the government's proposed approach to distributing funding for the Families First Partnership programme via the final version of the Children and Young People's Services (CYPS) relative needs formula?

- More transparency and explanation required from DfE about the formula and its impact
- Appears to be less able to predict expenditure than the old formula
- Changes since the Summer
- Using updated IDACI (based on 2025 IMD, after housing costs)
- Some indicators arbitrarily removed (ethnicity, parental education)

Children's RNF

- Gains in London, particularly outer London (gains of £362m)
- Movements at individual authority level are extreme: some London boroughs increasing by more than 50% compared to June; some county unitaries and Mets reducing by 20% compared to June
- Neutral in the Mets – but significant reduction in resources in county areas
- Is this largely driven by the new IDACI numbers?
- Remoteness has an impact on some county authorities (although largest reductions are not those with the highest remoteness scores)



	Variance	Variance (%)
Blackpool	-14.344	-17.61%
Brent	60.075	67.93%
Knowsley	-18.644	-20.17%
Luton	33.950	43.29%
Newham	64.364	55.82%
North East Lincolnshire	-15.414	-20.09%
North Northamptonshire	-25.172	-21.02%
Tower Hamlets	63.922	49.65%
West Northamptonshire	-19.138	-19.26%

Question 5: Do you agree or disagree with the government's proposed approach of continuing the IDB support grant for 26-27 but seeking an alternative solution from 2027-28?

- Important issue for some councils with Internal Drainage Boards (IDBs)
- Additional funding made available in previous settlements (only £5m, from 23-24 onwards) and distributed late in the budget-setting process
- Support plans to longer term arrangements
- DEFRA and MHCLG commissioning research into IDB funding and costs
- Outcome will be a new funding model

Question 6: Do you agree or disagree with the government's proposal on Mayoral Strategic Authorities in the Local Government Finance Settlement?

- Not clear what the consultation is asking
- Introduction of integrated settlements, with some settlement amounts being distributed to strategic authorities
- Specific Mayoral Capacity Funding
- BR enhanced arrangements already confirmed (Autumn Budget) – many areas not in the original pilot round will want this extended to every area with a mayoral strategic authority
- Future work on the full inclusion of MSAs in BRRS (tier split?)

Other issues...

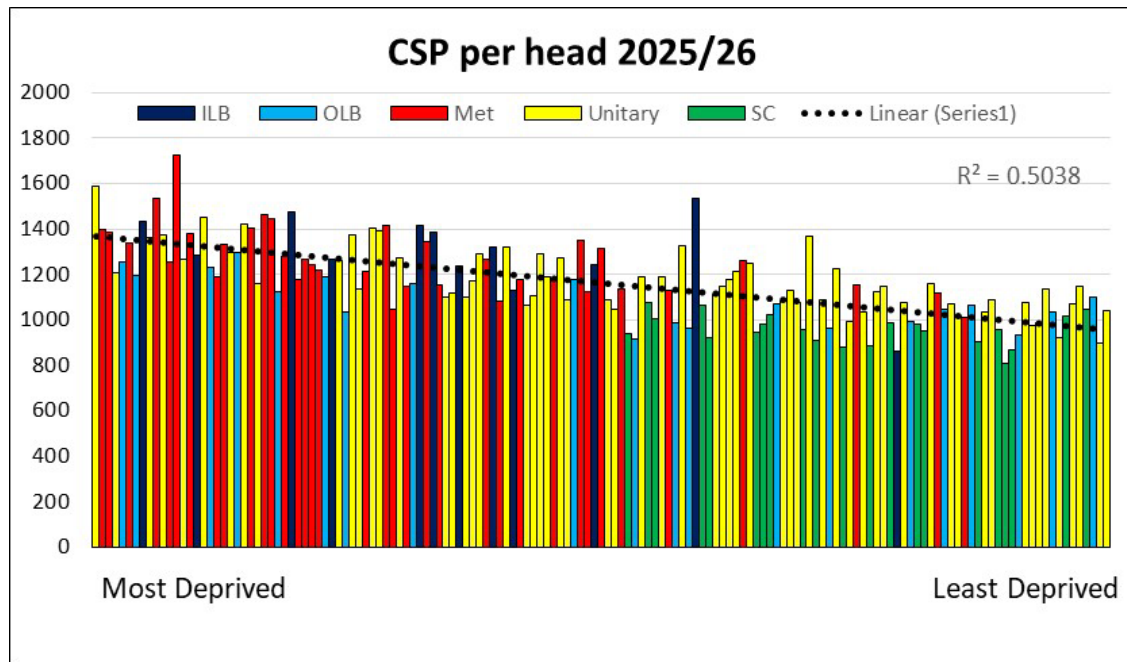
- SEND funding
- Final settlement – likely timing and parliamentary debate (every final settlement between 3-7 February since 2020-21)
- Chances of material changes in final settlement?
- Changes to taxbase projections, query on population projections
- Remoteness
- Challenge from MPs in metropolitan authorities? Possibly from county and rural MPs?
- Financial sustainability?

Provisional Local Government Financial Settlement 2026/27 to 2028/29

**Dan Bates
9 January 2026**

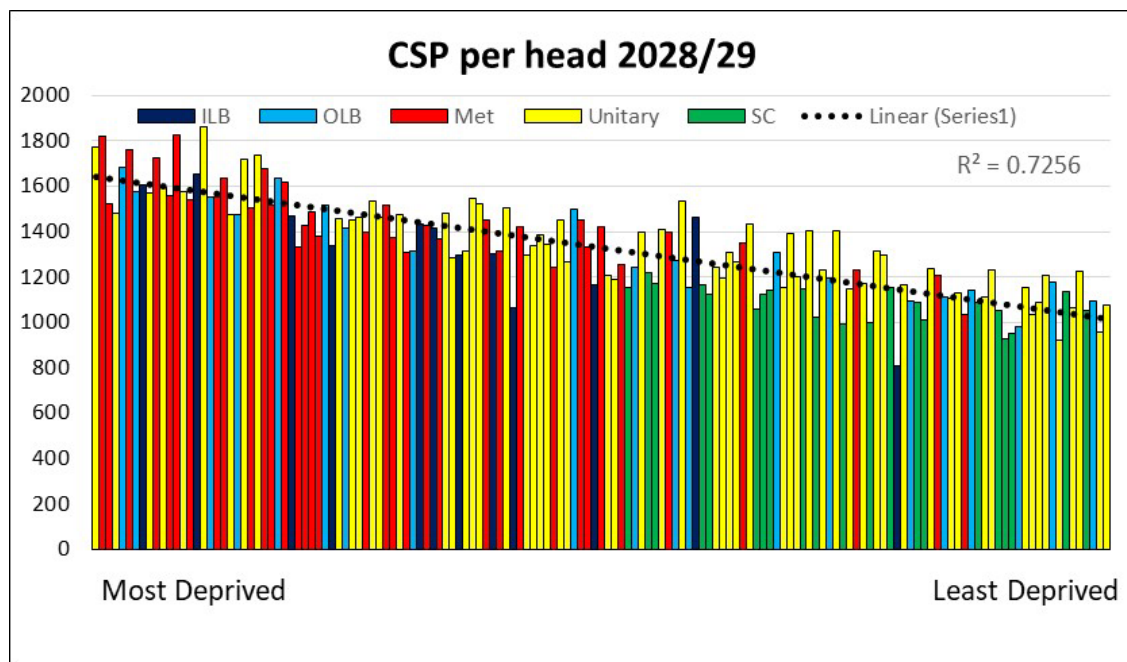
Is this a fair settlement?

- Massive task to move towards fairer funding following on from 13 years without a full review of funding or a business rates reset.
- There are significant redistributions over the next three years and even then there is a cliff edge to be addressed after 2028/29.
- By 2028/29, the distribution of government funding and CSP will have a much closer correlation to IMD rankings. So if **(and it's a big if)** we accept that IMD rankings are an effective proxy for needs then the settlement delivers fairer funding.
- Some will feel that the allocations are very unfair e.g. rural authorities and those being compelled to increase council tax by more than referendum
- Some of the mechanisms are questionable – continuation of Recovery Grant (and RG floor) and the inclusion of historic business rates gains into resources.
- Possible issues with council tax forecasts impacting those with significant second homes.

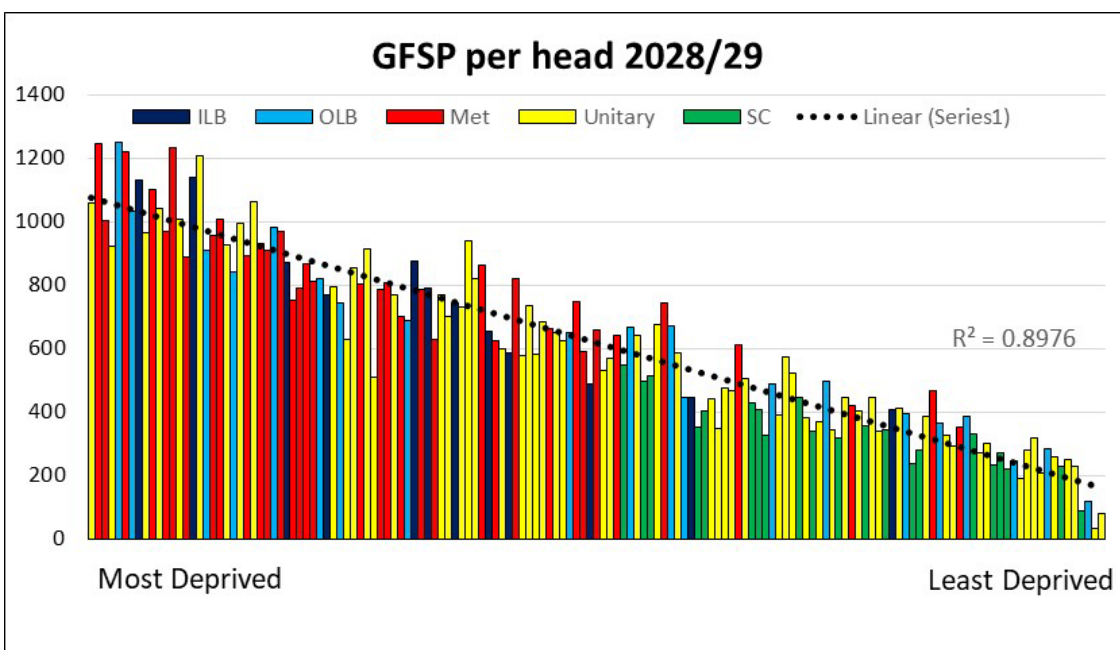
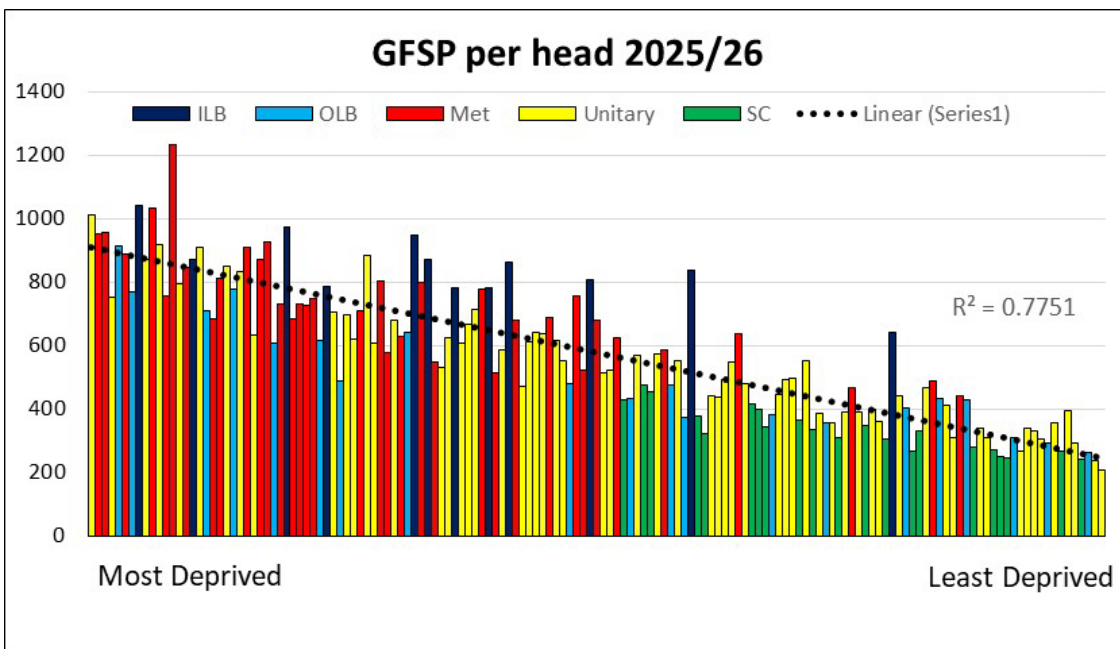


CSP by IMD ranking: Upper Tier

- Comparing CSP per head in 25/26 with 28/29.
- 28/29 shows a more even distribution against line of best fit with far fewer outliers above the line.
- This would support an assertion that funding is fairer.
- OLBs way below the line in 25/26 are now much closer to best fit line.
- But shows the losses to a number of ILB (and Knowsley) that were well above the line in 2025/26.

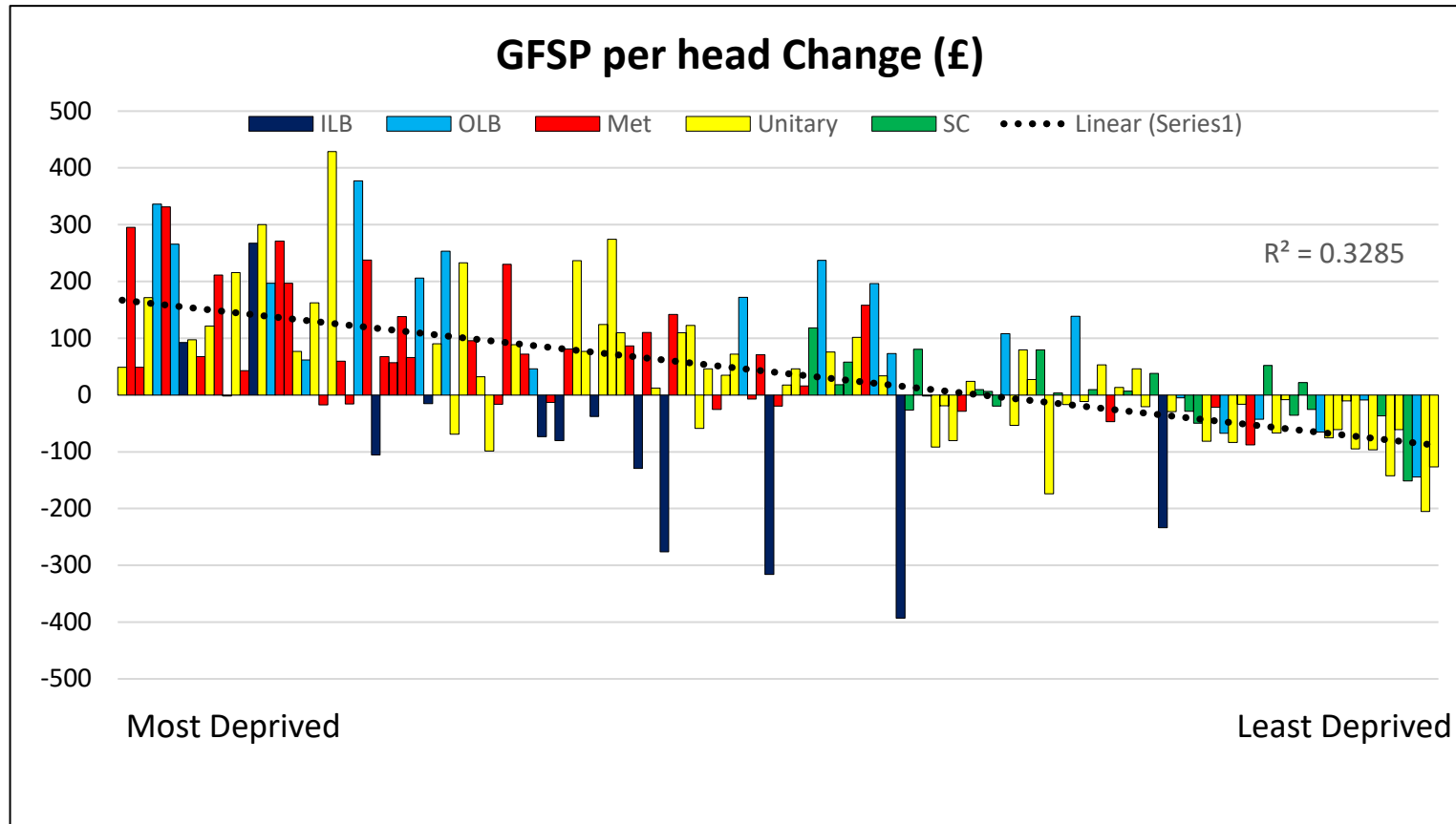


Government Funding by IMD ranking: Upper Tier



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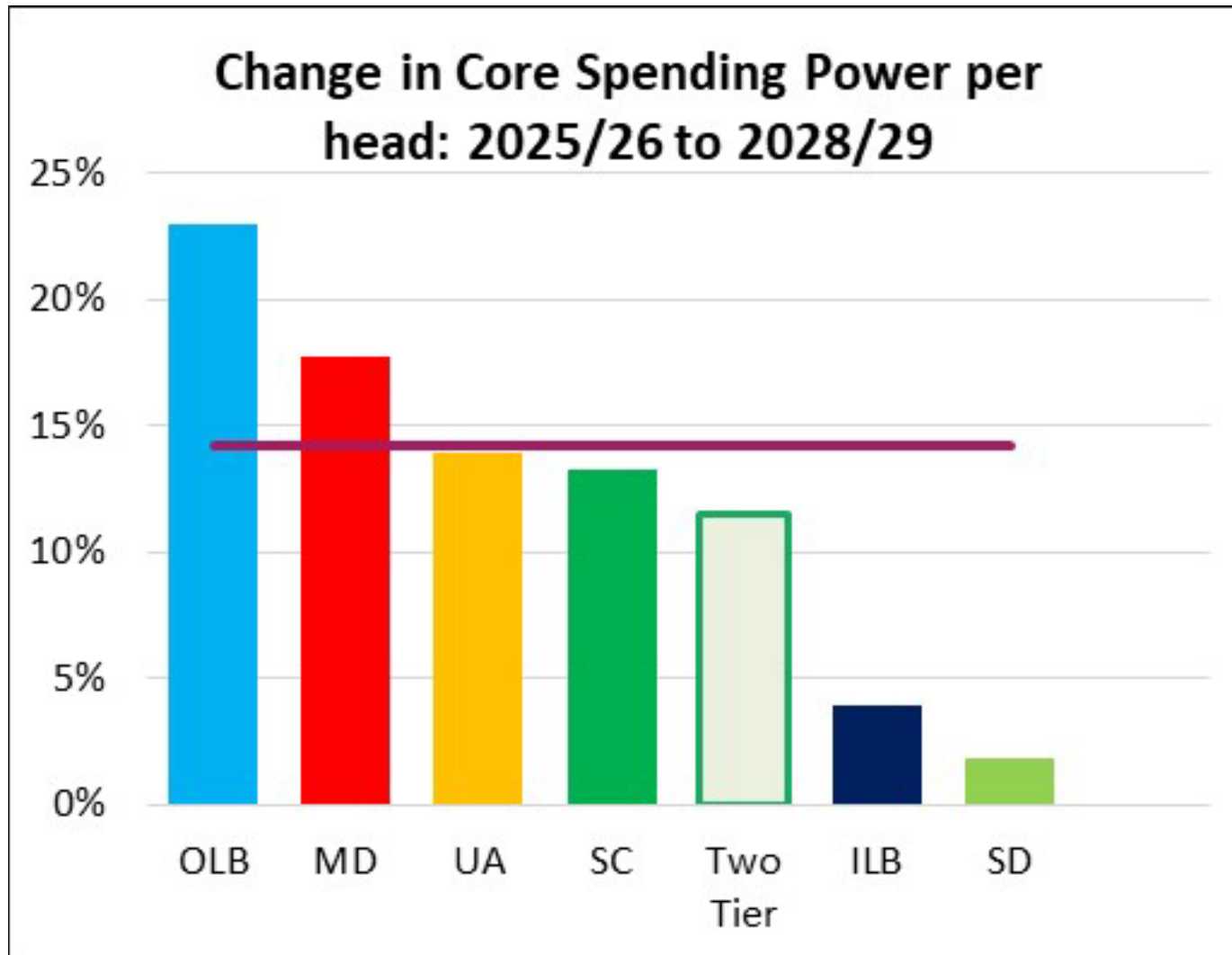
Government Funding by IMD ranking: Upper Tier



- Graph shows change in government funding per head between 2025/26 and 2028/29.
- Significant redistributions over the period in order to create the more even pattern shown in the last slide.
- 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.

Do we accept IMD as an effective proxy to measure relative needs?

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



- Outer London and Mets with the highest increases.
- Inner London and Districts with the lowest.
- Redistribution continues over the next three years.

Top 10 gainers / losers: Upper Tier

	Change in Govt Funding:		Rural/Urban	IMD 2025 rank	Second homes %	Taxbase per head rank
	25/26 to 28/20	Type				
Top 10 gainers						
Luton	68%	Unitary	Urban	25	0%	140
Enfield	62%	OLB	Urban	28	1%	80
Hillingdon	55%	OLB	Urban	81	1%	72
Hounslow	52%	OLB	Urban	38	0%	84
Slough	44%	Unitary	Urban	53	1%	126
Redbridge	41%	OLB	Urban	87	1%	101
Derby	41%	Unitary	Urban	57	0%	123
Coventry	40%	Met	Urban	45	2%	131
Bradford	40%	Met	Urban	19	1%	130
Havering	39%	OLB	Urban	110	0%	58
Top 10 losers						
Westmorland and Furness	-31%	Unitary	Rural	107	5%	13
Westminster	-32%	ILB	Urban	63	2%	1
Bracknell Forest	-36%	Unitary	Urban	148	0%	22
Wandsworth	-37%	ILB	Urban	120	1%	7
Hammersmith and Fulham	-39%	ILB	Urban	75	3%	3
Kensington and Chelsea	-47%	ILB	Urban	90	9%	2
Richmond upon Thames	-55%	OLB	Urban	151	1%	6
Wokingham	-61%	Unitary	Urban	153	0%	9
Surrey	-63%	County	Urban	150	0%	8
Windsor and Maidenhead	-87%	Unitary	Urban	152	2%	5

- OLB authorities will receive greatest boost to government funding (though not all OLBs).
- Rural authorities have generally not done well.
- Generally, more deprived authorities have done better than less deprived but none of the top 10 IMD 2025 ranked in top 10 gainers.
- Some with high levels of second homes have lost out and we think there might be an issue here for some of those authorities.
- Clear correlation is with taxbase.

Top 10 gainers / losers: Districts

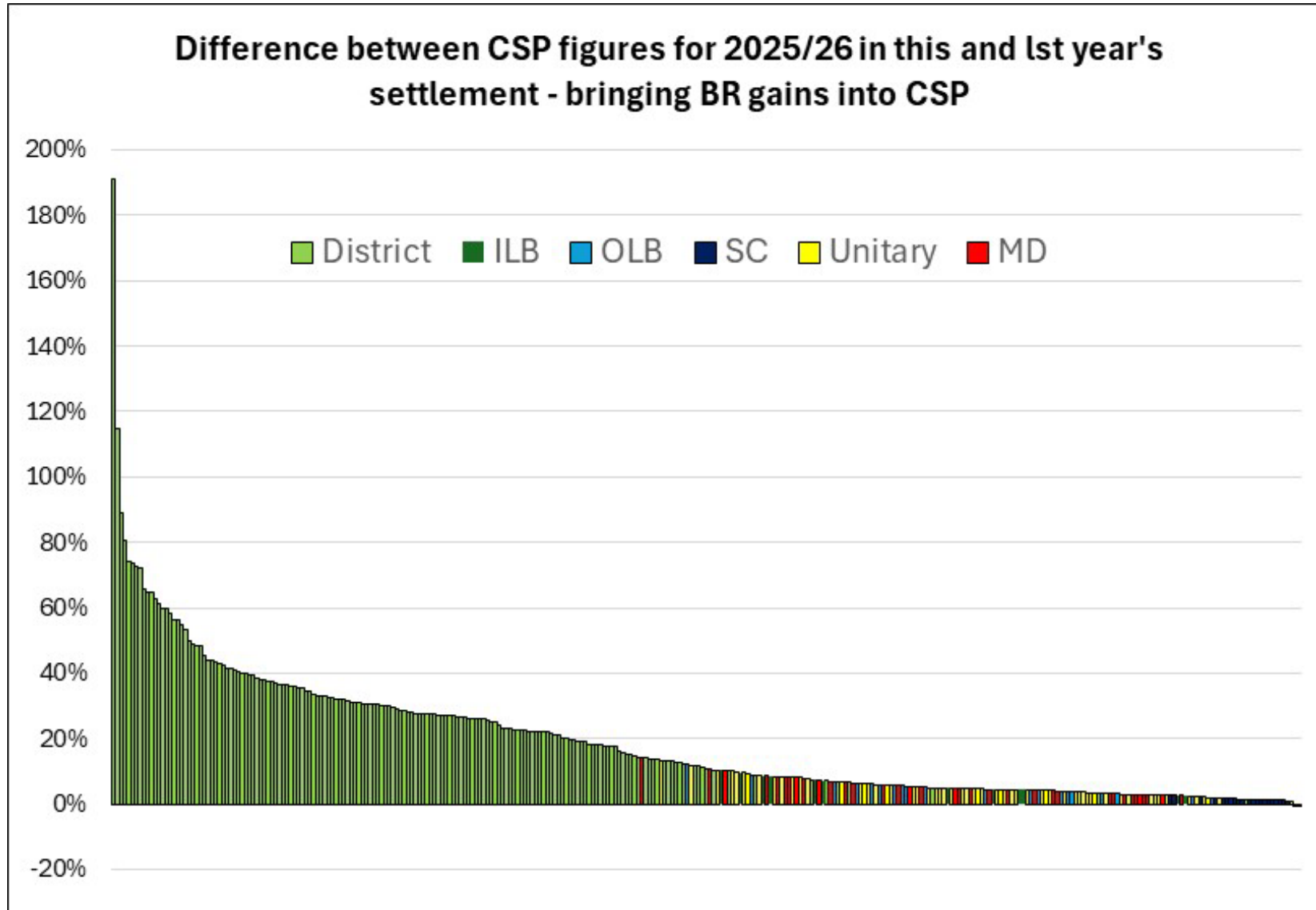
	Change in Govt Funding: 25/26 to 28/20	Rural/ Urban	IMD 2025 rank	Second homes %	Taxbase per head rank
Worthing	69%	Urban	81	1%	96
Harlow	69%	Urban	27	0%	134
Crawley	49%	Urban	34	1%	145
Epsom and Ewell	43%	Urban	162	0%	38
Stevenage	36%	Urban	42	0%	135
Watford	36%	Urban	74	0%	102
Basildon	31%	Urban	39	0%	125
Preston	30%	Urban	14	1%	142
Guildford	28%	Urban	154	1%	25
Norwich	28%	Urban	17	1%	158
Stratford-on-Avon	-23%	Rural	127	1%	7
Arun	-23%	Urban	48	2%	46
Waverley	-24%	Urban	158	1%	6
Teignbridge	-24%	Rural	63	2%	64
Elmbridge	-25%	Urban	161	0%	3
Bromsgrove	-25%	Urban	140	0%	69
Maldon	-26%	Rural	72	1%	30
Mid Sussex	-26%	Urban	155	0%	17
Derbyshire Dales	-27%	Rural	101	3%	16
South Hams	-36%	Rural	79	9%	1

- Rural authorities have generally not done well.
- Generally, more deprived authorities have done better than less deprived. Again, none of the top 10 IMD 2025 ranked in top 10 gainers.
- Some with high levels of second homes have lost out and we think there might be an issue here for some of those authorities.
- Clearer correlation is with taxbase.

Fair to include BR gains as resources?

- Business rates reset first since the system started in 2013/14.
- Was supposed to set every 5 years – reset is after 13 years!
- But the gains have been brought into Core Spending Power with 24/25 and 25/26 figures being restated to add in those gains.
- Fair to say, virtually no one expected this!? Most big gainers had factored in a full reset with the loss of all gains.
- Feels like a missed opportunity to increase resources for redistribution and some of the more harsh decisions might have been avoided with those additional resources.
- Additionally, those who have not gained from business rates might feel it unfair that those who have retain majority of those gains beyond a reset.

Fair to include BR gains as resources?



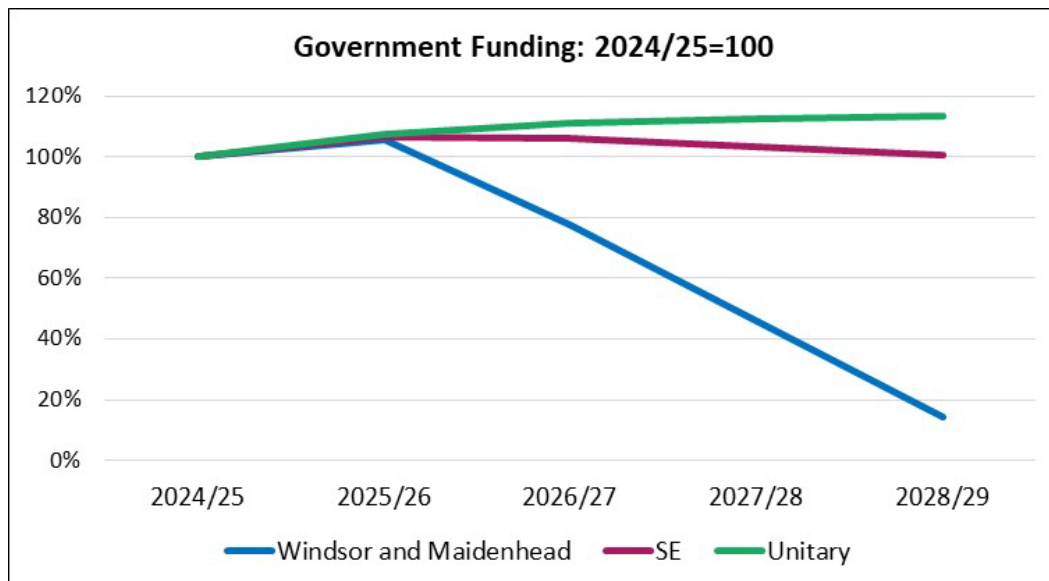
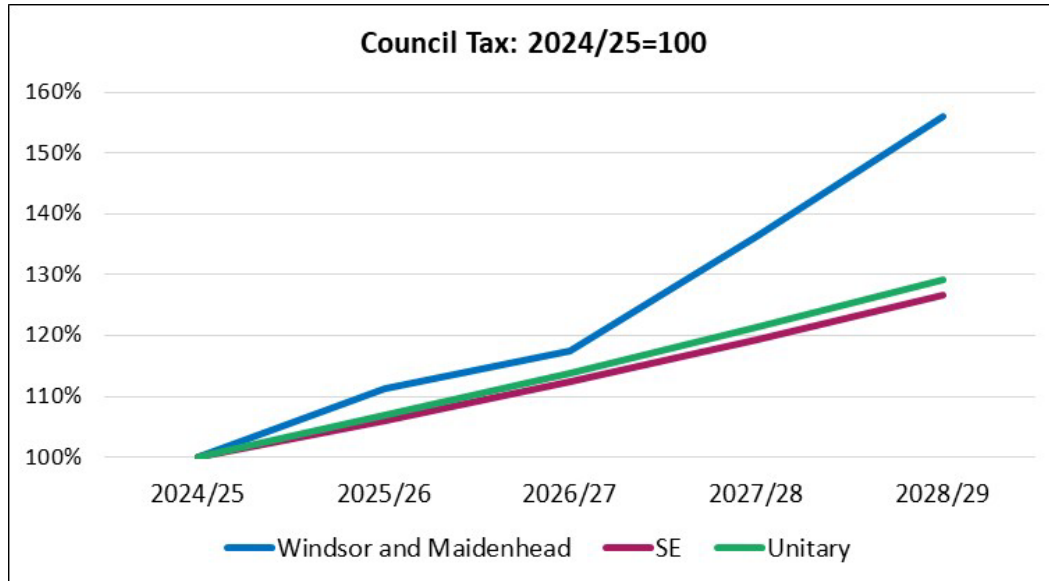
- Graph shows difference between CSP figures for 2025/26 in this and last years settlement.
- Main difference is adding BR gains into CSP.
- Significant boost for districts and especially for a small number that had super high gains.
- Average URR/CSP
 - Districts: 190%
 - Top 8 BR gainers: 311%
 - Upper Tier: 36%

- Increasingly important element of CSP.
- 53.0% of CSP in 26/27, rising to 55.5% in 28/29.
- For Windsor and Maidenhead, CT is 80.1% of CSP in 26/27, rising to 96.7% in 28/29.
- High taxbase authorities amongst the biggest losers as resources adjustment kicks in.
- No real change to council tax – referendum principles as previously for all but six authorities with lowest band D.
- Local requests for council tax flexibility seems sensible and an acceptance that many authorities will continue to struggle despite this ‘fair funding’ settlement.

The six lowest band Ds

- The government proposes not setting referendum principles for 6 authorities in 2027-28 and 2028-29.
- City of London, Hammersmith and Fulham, Kensington and Chelsea, Wandsworth, Westminster and Windsor and Maidenhead.
- By choosing not to subsidise very low bills for the 500,000 households in these places, we will improve value for money and provide £250 million more funding for public services in places with higher need.
- A number of these councils reported unringfenced reserves in 2024-25 over 100% of their 2025-26 Core Spending Power.
- Saves the government in terms of transitional protection payments for these authorities.

The six lowest band Ds

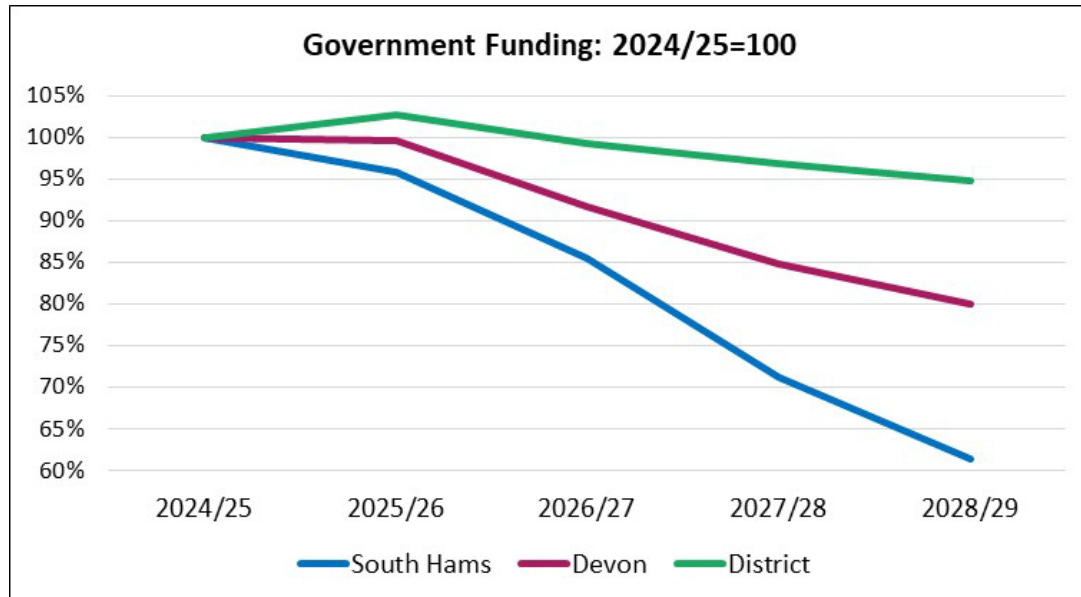
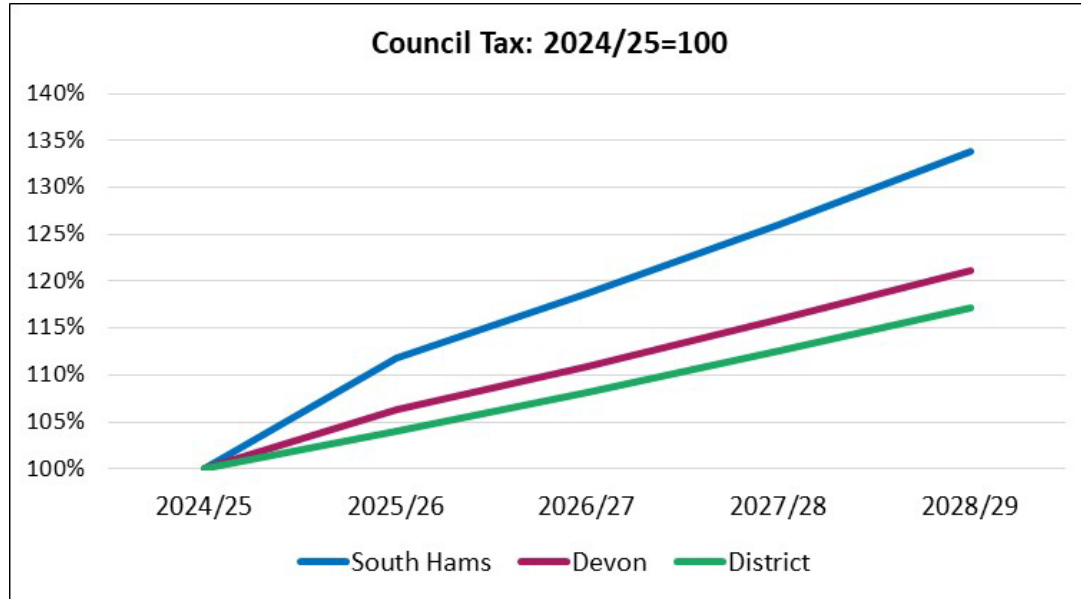


- Significant reductions in Government funding for the six authorities with the lowest band Ds.
- Whilst other authorities able to apply for council tax flexibility, these authorities being compelled to raise council tax above referendum criteria in 27/28 and 28/29 or face significant CSP reductions.
- Windsor and Maidenhead is an EFS authority (which had negative reserves in 23/24) which has a large SEND deficit.
- Fair?

Second homes council tax

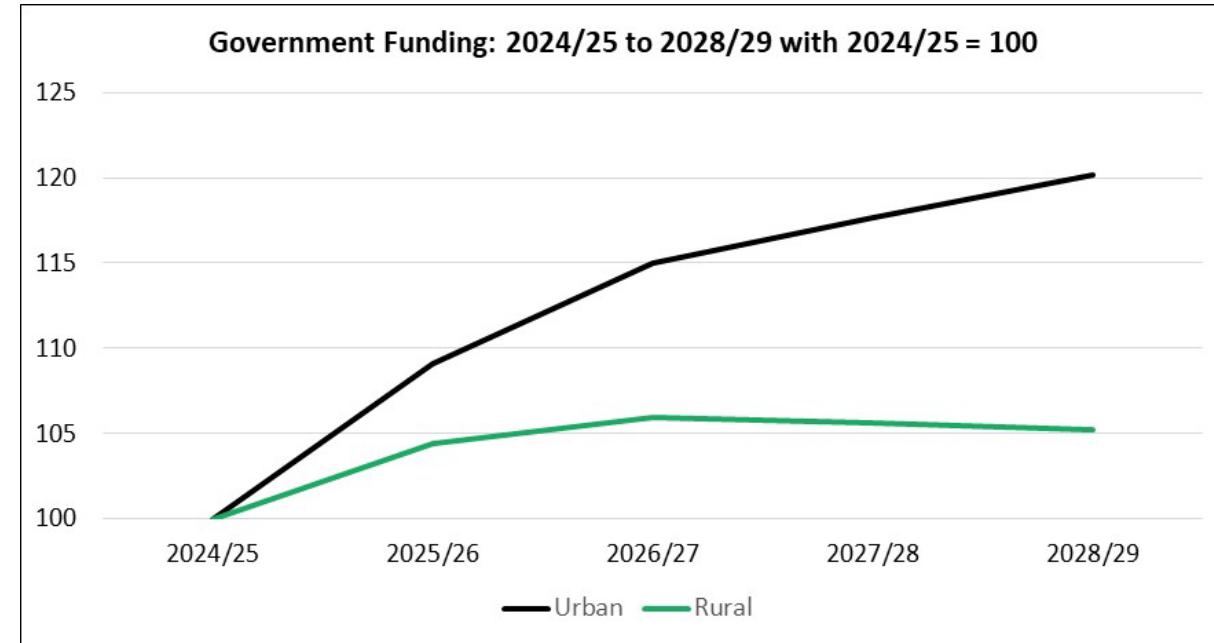
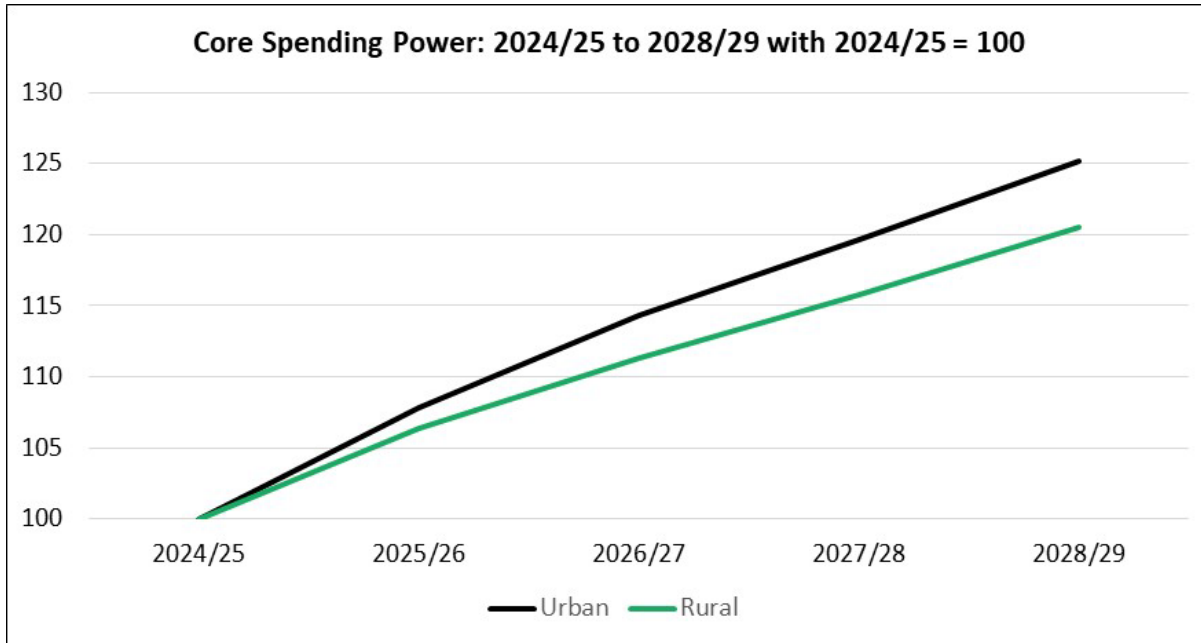
- Looks to be an error in the Government's council tax forecasts associated with second homes.
- Second homes income included in CSP figures for the first time this year.
- Boosted council tax income for those authorities that have a lot of second homes and chose to levy additional charge in 25/26.
- But this is a 'one-off' boost.
- It appears that Government estimates have continued this increase into the next two years as high second home authorities have large council tax increases shown for 27/28 and 28/29.
- Some authorities on or near the 'floor', might be missing out on transitional protection payments due to over-estimate of council tax income.

Second homes council tax



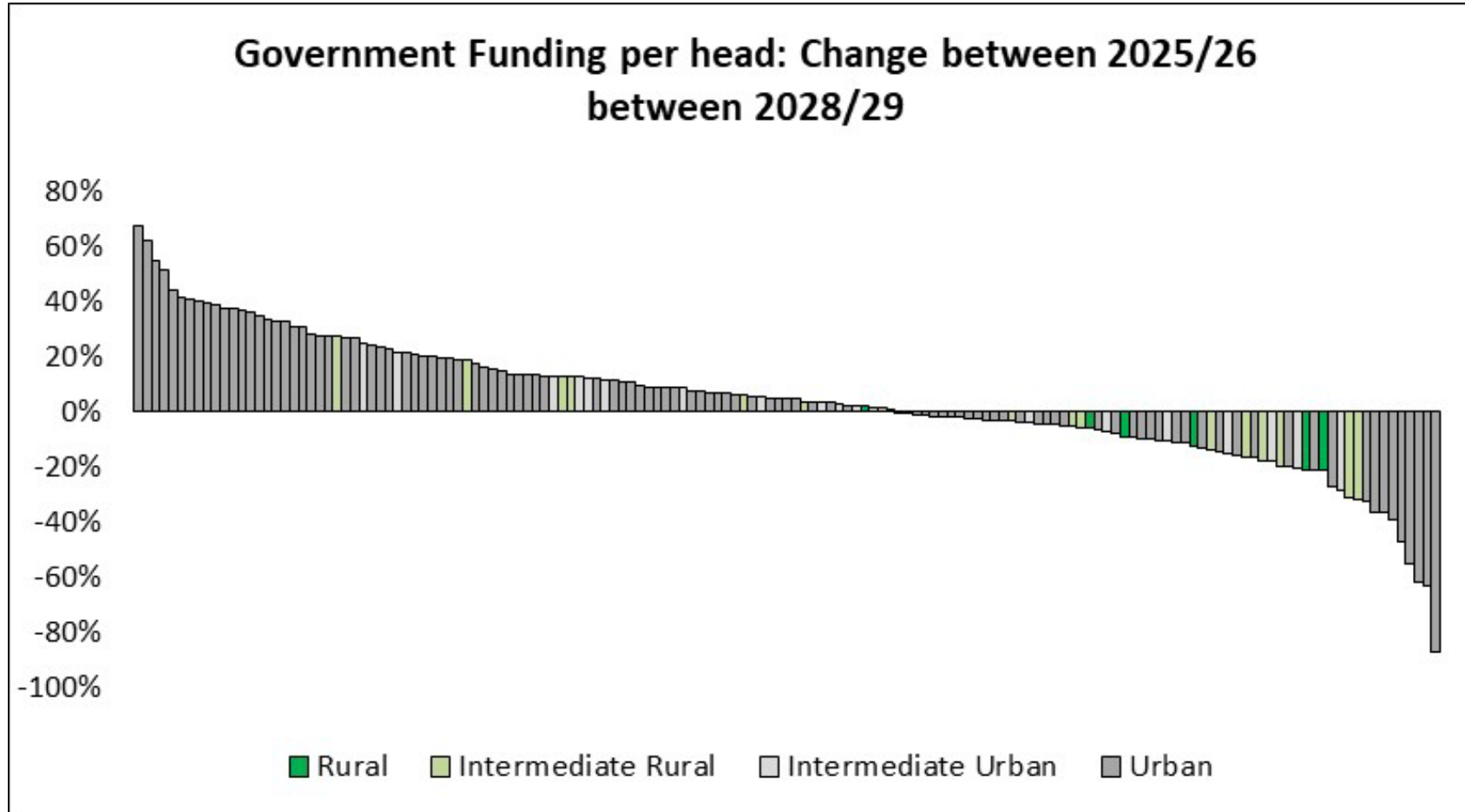
- Example: South Hams
- Very large increase in assumed council tax income – way higher than average district.
- Taxbase possibly miscalculated to take ‘one-off’ second homes boost (or some of it) into 26/27, 27/28 and 28/29.
- Matched with significant loss of Government funding.
- If council tax closer to average, then South Hams would receive more transitional payments.
- Might impact on a number of authorities (especially districts).

Rural/Urban classification change in CSP



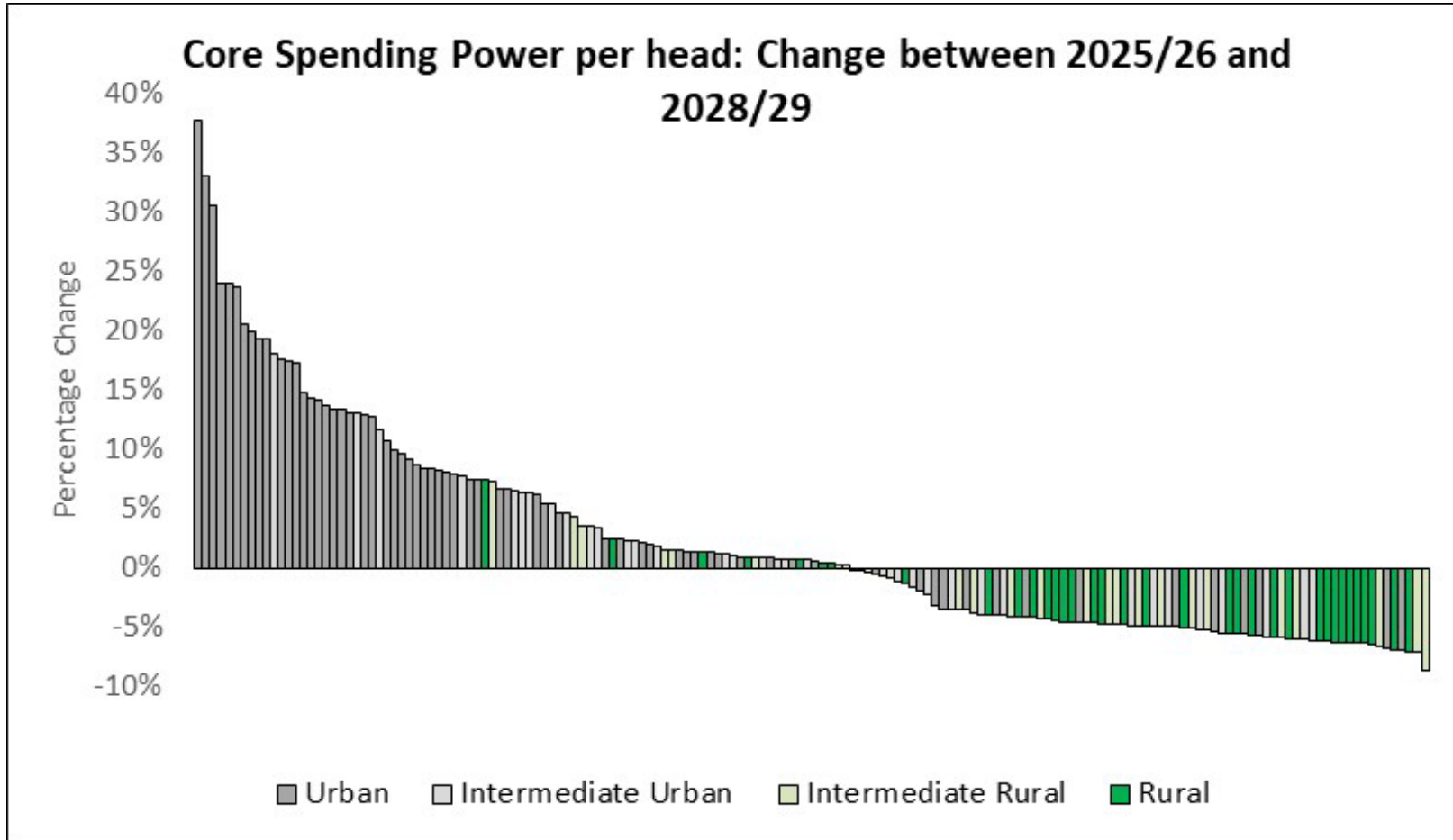
- Rural authorities are amongst the biggest losers in terms of CSP and government funding changes over the next three years.
- IMD2025, Recovery Grant favouring urban much more and the loss of RSDG last year compounded by removal of remoteness in the 3 year settlement.

Rural Authorities: Upper Tier



- Rural authorities are amongst the biggest losers in terms of CSP and government funding changes over the next three years.
- Loss of RSDG last year compounded by removal of remoteness in the 3 year settlement would appear to have reversed previous Government's acknowledgement that it costs more to provide for needs in rural areas

Rural Authorities: District



- Rural authorities are amongst the biggest losers in terms of CSP and government funding changes over the next three years.
- Loss of RSDG last year compounded by removal of remoteness in the 3 year settlement would appear to have reversed previous Government's acknowledgement that it costs more to provide for needs in rural areas

Issues for Consultation Responses

- Four weeks consultation period (including two holiday weeks) to consider the most complex set of changes for years doesn't feel particularly fair.
- Still nothing substantial on SEND deficits.
- Inclusion of business rates in CSP and protection of gains.
- Unfair for rural authorities.
- The six authorities with the lowest band Ds in England and assumed above referendum threshold council tax increases.
- Second homes council tax.
- Population Stats – still struggling to find the source of the projections.
- IMD – an effective proxy for needs?

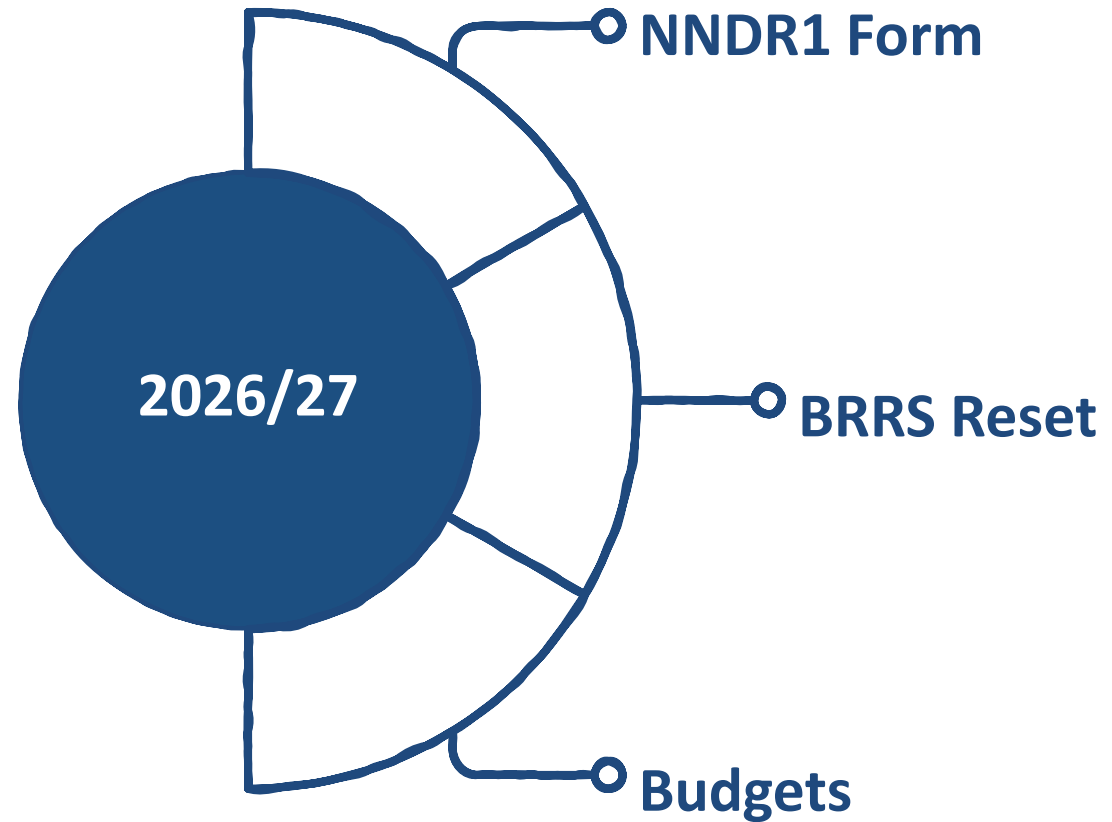
Thanks for listening

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The NNDR1, BRRS reset and budgets



Map NNDR1 to Budget

+/- any opening forecast CFAA General Fund reconciliation items

+/- Top/Up/ Tariff

+/- L&SN

+/- Costs income

+/- Pool benefit?

Retained NNDR shares

13. % of non-domestic rating income to be allocated to each authority in 2026-27

Non-Domestic Rating Income for 2026-27

14. Non-domestic rating income from rates retention scheme

Other Income for 2026-27

15. add: cost of collection allowance

16. add: amounts retained in respect of Designated Areas

17. add: amounts of S31 grant retained in respect of Designated Areas

18. add: amounts retained in respect of renewable energy schemes

19. add: City of London Offset

20. add: in respect of Port of Bristol hereditament

Estimated Surplus/Deficit on Collection Fund

21. Surplus/Deficit at end of 2025-26 (+ve = surplus, -ve = deficit)

TOTAL FOR THE YEAR

22. Total amount due to authorities

Central Government	Kingston upon Hull UA
£ 50%	£ 49%
337,385	330,637
	338,310
	0
	11,720
	0
	0
	0
£ -46,743,713	£ -45,808,839
£ -46,406,328	£ -45,128,172

s.31 grant funding

Remove s.31 rolled into RSG

- Historic UI
- Green P&M
- SBRR lost supp' yield comp

No s.31 adjustment for underindexation

'Budget for BFL'

BRB less Tariff plus Top-up = BFL

Don't just use the BRB calculator figures in your budget

Recalculate BRB using national BRB calculator **methodology** and data in **budget/ NNDR1**

- GRV changes to GRP (including on DA and RE baselines) between LGFS and 1 April should be neutralised
- Changes in appeals, bad debt and Cost of Coll'n will not be neutralised

Any Growth/ Decline in NNDR1 **post 1 April** is unaffected

This is for 50% BRRS ONLY

Amber Valley E1031

Small Business Multiplier 2026/27	0.432
Standard Multiplier 2026/27	0.480
Appeals Adjustment	3.75%
Bad Debt Adjustment	0.60%
50% Retention Tier Split	40%

£ where applicable	
Gross Rates Payable	49,058,689
Appeals deduction	1,839,701
Bad Debt deduction	294,352
Cost of Collection deduction	145,088
Designated Areas deduction	0
Renewables deduction	42,460
City of London Offset	0

Business Rates Baseline 18,694,835

You can work out your BFL/ Budget position, conceptually no change due to reset, but its not simple

The overall calculations can be complex

2026/27 BFL and Technical adjustment tracker			
Please select a local authority from the green drop-down menu, then complete the green cells as required			
Fareham	E1734	50% BRRS	
Gross Rates Basis			
Small Business Multiplier 2026/27	0.432		
Standard Multiplier 2026/27	0.480		
Appeals Adjustment	3.75%		
Bad Debt Adjustment	0.60%		
50% Retention Tier Split	40%		
100% Retention Tier Split			
		NNDR1	1 April 2026
		Input data below	Input data below
NNDR1 2/1.a. Col 3 Rateable Value: Small multiplier for 2026-27 (input RV)		28,036,073	30,839,680
NNDR1 2/1.b.Col 3 Rateable Value: Standard multiplier for 2026-27 (input RV)		25,232,466	27,755,712
NNDR1 2/1.c.Col 3 Rateable Value: Small RHL multiplier for 2026-27 (input RV)		31,705,716	34,876,288
NNDR1 2/1.d. Col 3 Rateable Value: Standard RHL multiplier for 2026-27 (input RV)		28,166,473	30,983,121
NNDR1 2/1.e.Col 3 Rateable Value: High Value multiplier for 2026-27 (input RV)		23,841,700	26,225,870
<i>Figures entered in columns D&E and 100%, not LA shares</i>			
Gross Rates Payable per RV list (at Small and Standard Multiplier)	60,557,918	62,883,960	69,172,356
Appeals deduction	2,270,922	7,484,814	7,484,814
Bad Debt deduction	363,348	1,197,570	300,000
Cost of Collection deduction	132,880	686,670	686,670
Designated Areas deduction	1,366,758	739,830	739,830
Renewables deduction	112,268	1,000,000	-
City of London Offset	0	-	0
Business Rates Baseline - Gross Basis (50% BRRS) LA share	22,524,697	23,350,792	26,266,151
Uprated BRB for 100% BRRS	0	0	0
Top-Up/ (Tariff) Net rates basis/ Gross rates basis	-20,364,295	-21,190,390	-24,105,749
Actual Retained Business Rates		20,710,030	23,984,417
Baseline Funding level	2,160,402	2,160,402	2,160,402
Check BFL	2,160,402		
Non-Domestic Rating Income for 2026-27 BRRS element (Actual less updated TU/T)		-480,360	-121,332
<i>Important - for Budget purposes this figure excludes 'other income' from NNDR1 Part 1B</i>			
Growth/ Decline: Estimated actual position Vs BFL after technical adjus		-2,640,762	-2,281,734
Technical adjustment forecast due to changes in RV		-826,095	-3,741,454

Appeal Risk

National Allocation of central loss assessment (**3.75% GRP 'BRB basis'**)

Right nationally, **wrong individually**

Not a target to hit, but..

Real impact if different - affects **starting resources Vs BFL**

Risk areas

- Civil Airports +295%
- Royal Palaces (!) +201%
- Arenas +138%
- Hotels (some) +97%

ONS area name	2023 Rateable Value	2026 Rateable Value	RV change %
Hillingdon	850,373	1,716,887	101.9%
Crawley	296,840	549,300	85.0%
Dover	129,381	227,432	75.8%
Uttlesford	128,601	204,737	59.2%
Luton UA	184,854	267,140	44.5%
Boston	56,067	61,654	10.0%
Reading UA	332,183	361,766	8.9%
South Bucks	112,463	121,620	8.1%
Three Rivers	118,304	123,701	4.6%

Carefully consider appeal risk. Estimate can easily affect starting resources Vs BFL (as can Bad Debts, but likely lesser impact)

Disregards: Designated areas and Renewables

Exempt from reset, **but baselines recalculated (locally), and updated in-year**

Use the correct methodology, and Regs

Not compensated for the same reliefs as in BA area, and s.31 for UI in DAs is **not a disregard** - rolled into RSG

Manage expectations with DA Boards

Schedule 2 Calculations for designated areas

Part 1 Proportion of non-domestic rating income to be disregarded

1. (1) Unless sub-paragraph (2) applies, the proportion of a billing...

Part 2 Calculation of non-domestic rating income

2. (1) A billing authority's non-domestic rating income in respect of...

Part 3 Calculation of the baseline amounts

3. Small business rate baseline: non revaluation year
4. Small business rate baseline: revaluation year
5. Standard business rate baseline: non-revaluation year
6. Standard business rate baseline revaluation year
7. Total baseline
8. Interpretation of Part 3

Action: Manage expectations and ensure baselines recalculated correctly mistakes affect disregards until someone spots them!

Safety Net and levy

New marginal levy rate applicable to **all local authorities'** growth above BFL -including **top-up authorities**.

Doesn't override 100% BRRS MoU - **no levy**, calculations still use 50% BRRS figures

Safety net for 2026-27 = **100% of Baseline Funding Level** (BFL), scales back to normal over three-year settlement

Cant be 100% sure until Regs issued, but MHCLG is not changing the fundamental concepts, just hopefully simplifying it

PART 1B: PAYMENTS

Retained NNDR shares

13. % of non-domestic rating income to be allocated to each authority in 2026-27

Non-Domestic Rating Income for 2026-27

14. Non-domestic rating income from rates retention scheme

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20. add: in respect of Port of Bristol hereditament

Estimated Surplus/Deficit on Collection Fund

21. Surplus/Deficit at end of 2025-26 (+ve = surplus, -ve = deficit)

Calculate and budget for any levy – especially Top-Up authorities
System uncertainty reduced by 100% BFL safety net threshold

S151 key points

Budget presentation and figures will **look different**, and may be updated mid-year

Subject to change ➡ GRV updates **before 1 April** will be neutralised, but changes in appeals and Bad debt **will not**.

'Budget at BFL' - not easy but a methodology does exist. Remember **NNDR1** will drive the General Fund, the design of the BRRS gives some time to adjust to variances

Large GRV changes post-reset – risk, but safety net 100% of BFL in 26/27

Designated areas – communicate – s.31 grants and baselines, MHCLG review (*limited to aligning with tax policy, not a full redesign*).

What we offer



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Help with planning and forecasting, scenario modelling and BRRS budget monitoring



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Ad-hoc Support

Expert help when you need it

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Thank you



Pixel Benchmarking Service

- Updates to the Pixel Benchmarking Service: [Benchmarking Data - Pixel Financial Management](#)
- New report pages that focus on: how 2026-27 to 2028-29 Core Spending Power totals, recently published IMD data 2025, and added a report page on the Unweighted Relative Needs formula, and the Weighted needs shares.
- Addition of Ofsted inspection data and Children Looked After data into Children's Social Care cost per head comparators
- Addition of Care Quality Commission inspection data into Adult Social Care cost per head comparators
- New Borrowing and Investments report including time series and borrowing and investments per head comparators
- New Reserves report including time series and reserves per head comparators
- New Sales Fees and Charges report including time series and SFC per head comparators to help identify areas for income generation for example.
- Update of ONS Mid-Year Population Estimates data to all reports
- Update to include Index of Multiple Deprivation 2025 scores and comparisons in relation to Core Spending Power and RO/RA Service costs.
- Update of 2025-26 projections into Dedicated Schools Grant balances comparator report
- Addition of Adult Social Care Peer groups and Children's Services statistical neighbour grouping options to existing Class, Region and Stat Neighbour grouping options
- **Coming soon**
- New Waste report using Revenue Outturn data and DEFRA waste data for cost per head, tonnage and recycling rate comparisons
- 2024-25 S251 Children's Social Care data to be added in when published.
- 2024-25 Dedicated Schools Grant balances outturn

- If you are interested in this service, please contact Andrew.cross@localgovbi.com or call 07855 030153