

# The Road Forward – Settlement Policy Paper

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9 December 2025



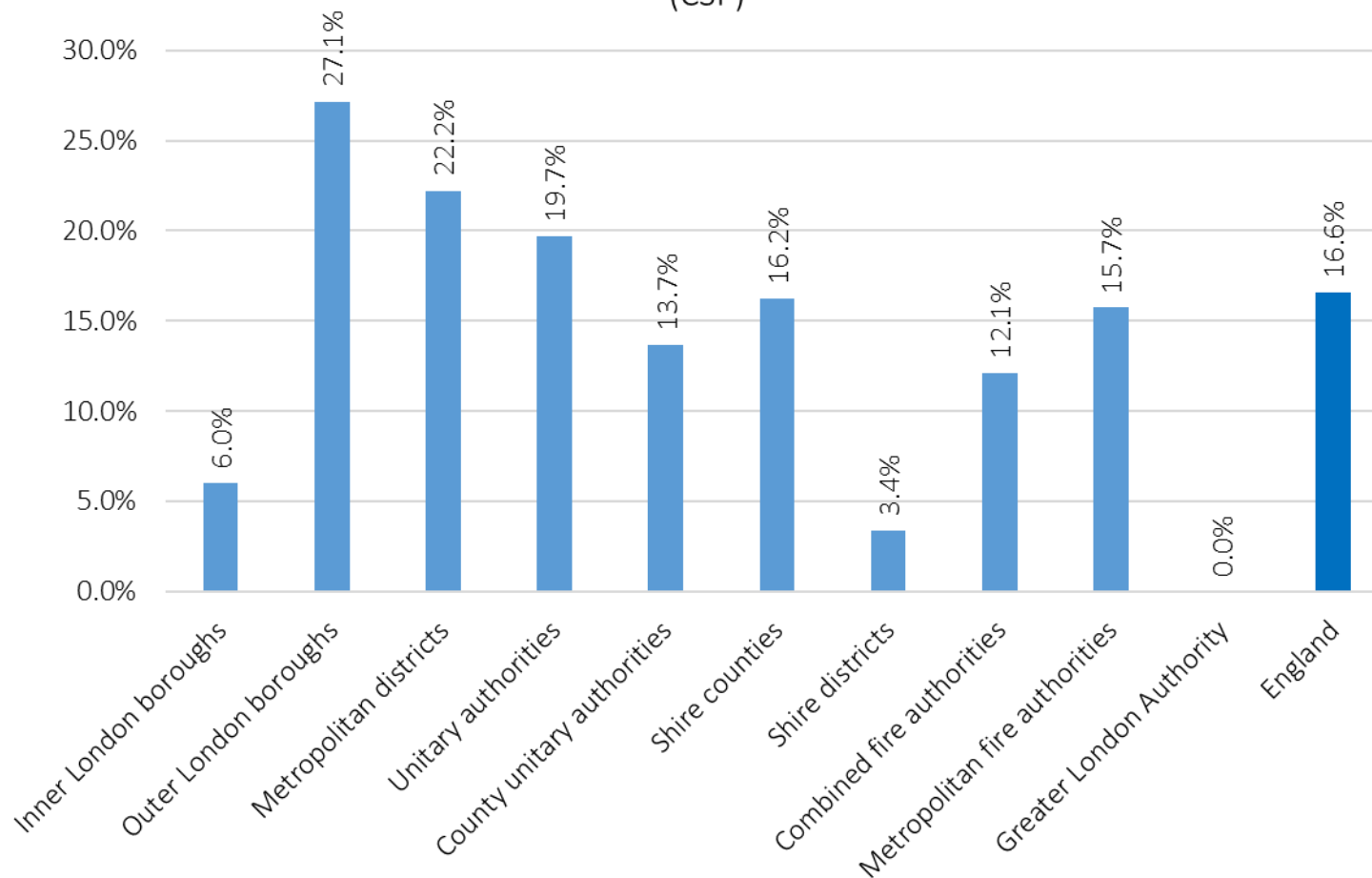
# Overview

- Latest from Pixel MTFP model – forecast funding at class level
- Change in funding between June and December (overview, movement for county councils/ unitaries) – what are the key changes (e.g. IDACI)
- Model showing the change will be available immediately after this webinar
  
- Quantum
- Recovery Grant
- RNF weighting, including removal of remoteness
- Measuring BR income
- Transitional support and cliff edges
  
- Individual local authority analysis
- Next steps and lobbying recommendations

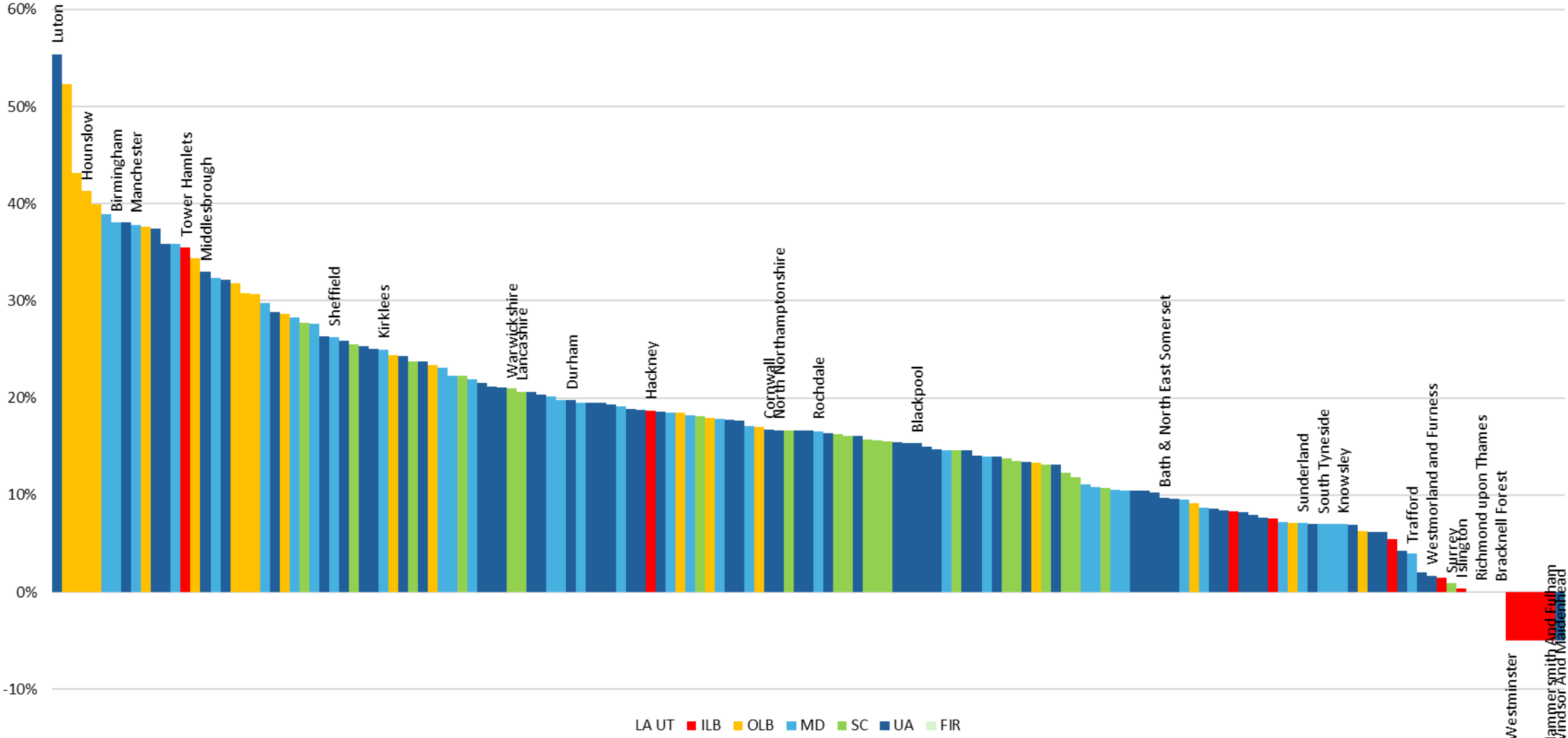
# Overall change in Core Spending Power (25-26 to 28-29)

- Latest from Pixel MTFP model – forecast funding at class level
- Broad shape is consistent with MHCLG modelling
- Above-average gains for outer London and metropolitan authorities
- Inner London still well below over UT authorities but improved on June forecasts
- Shire counties below the UT average, and county unitaries now well below the UT average
- Shire districts receiving the smallest average increases – will be a county problem following LGR

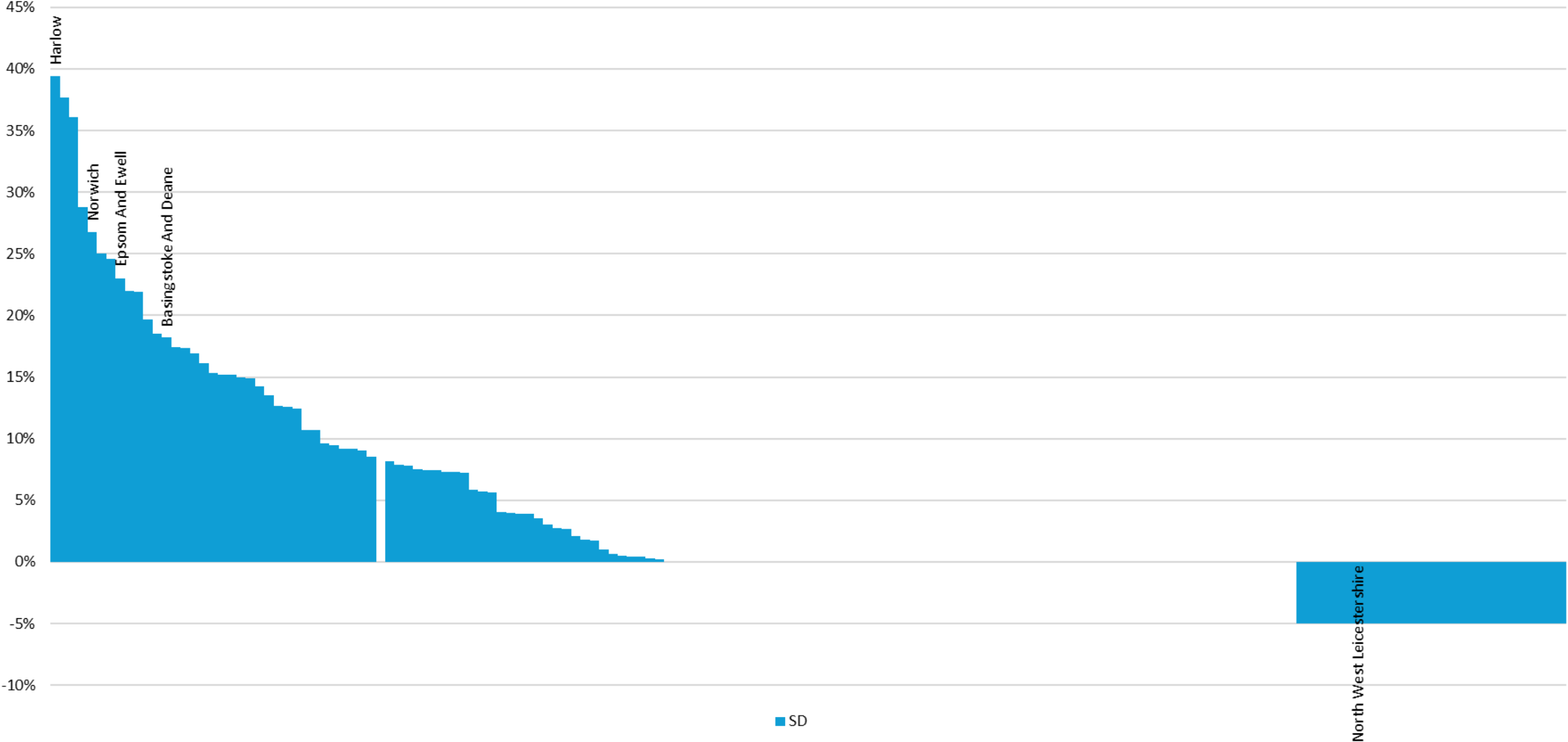
Fair Funding Review 2.0 - Overall analysis of change in Core Spending Power (CSP)



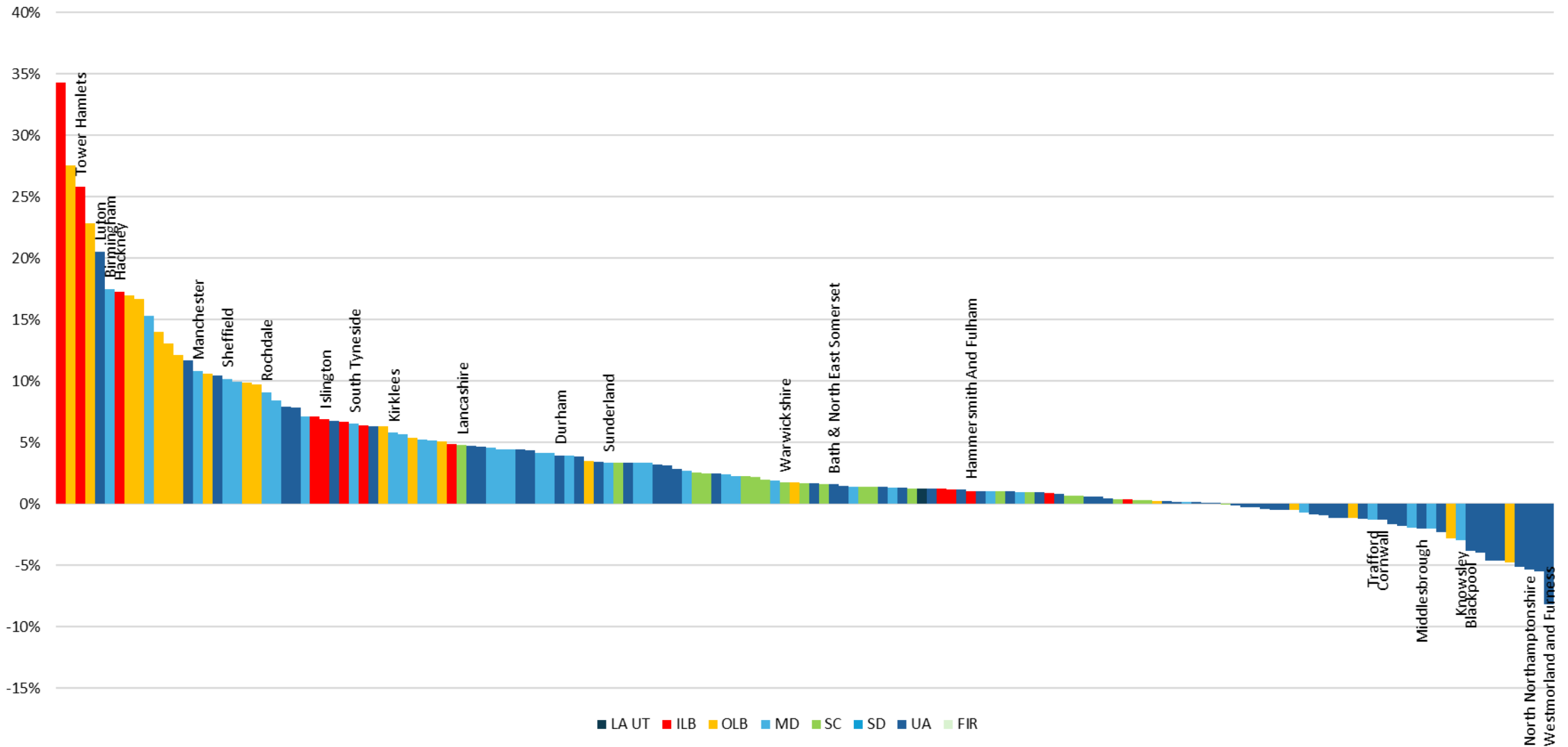
Change in 3-year CSP (by 28-29), Upper Tier only (% of CSP)



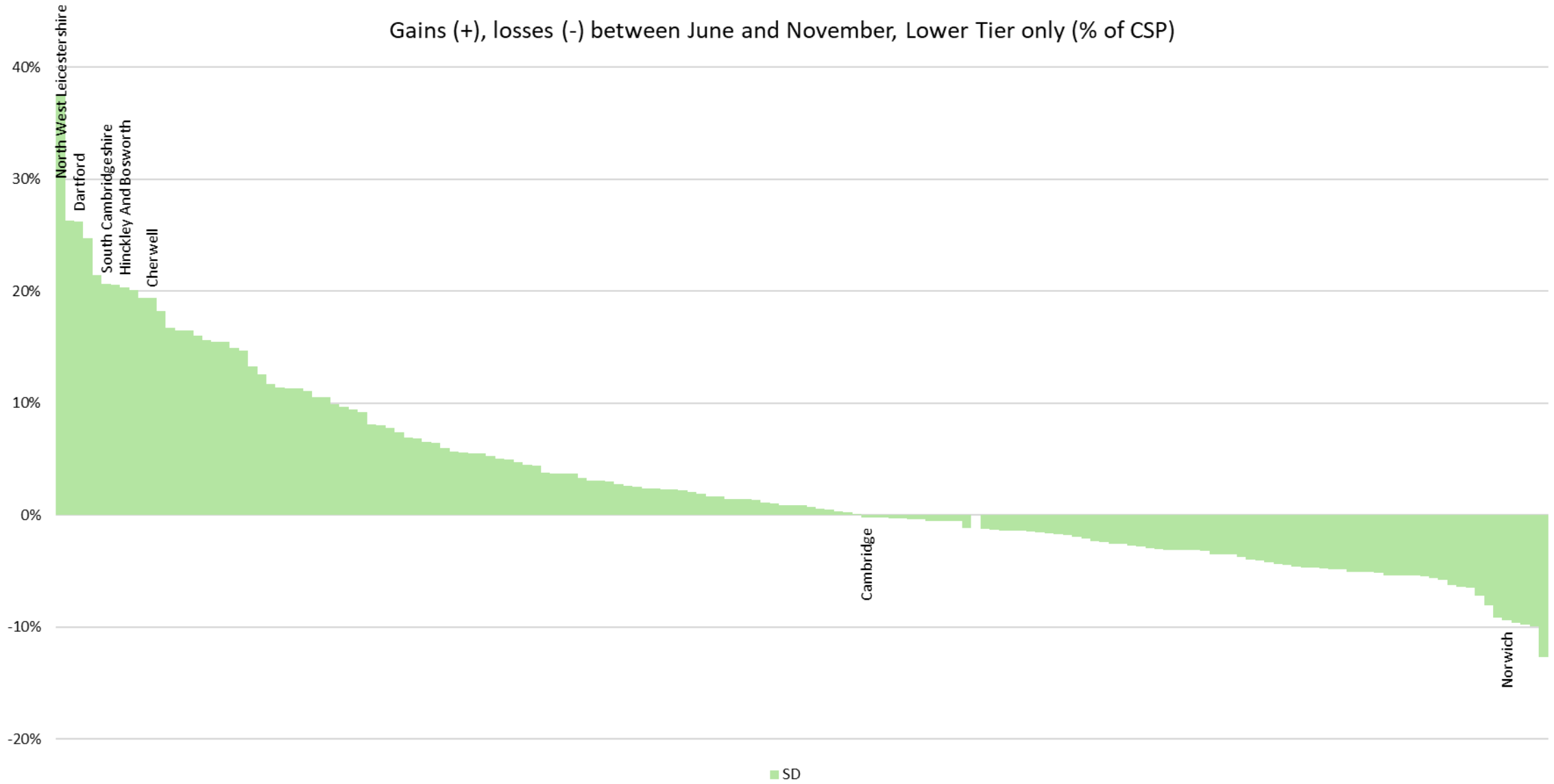
Change in 3-year CSP (by 28-29), Lower Tier only (% of CSP)



Gains (+), losses (-) between June and November, Upper Tier only (% of CSP)

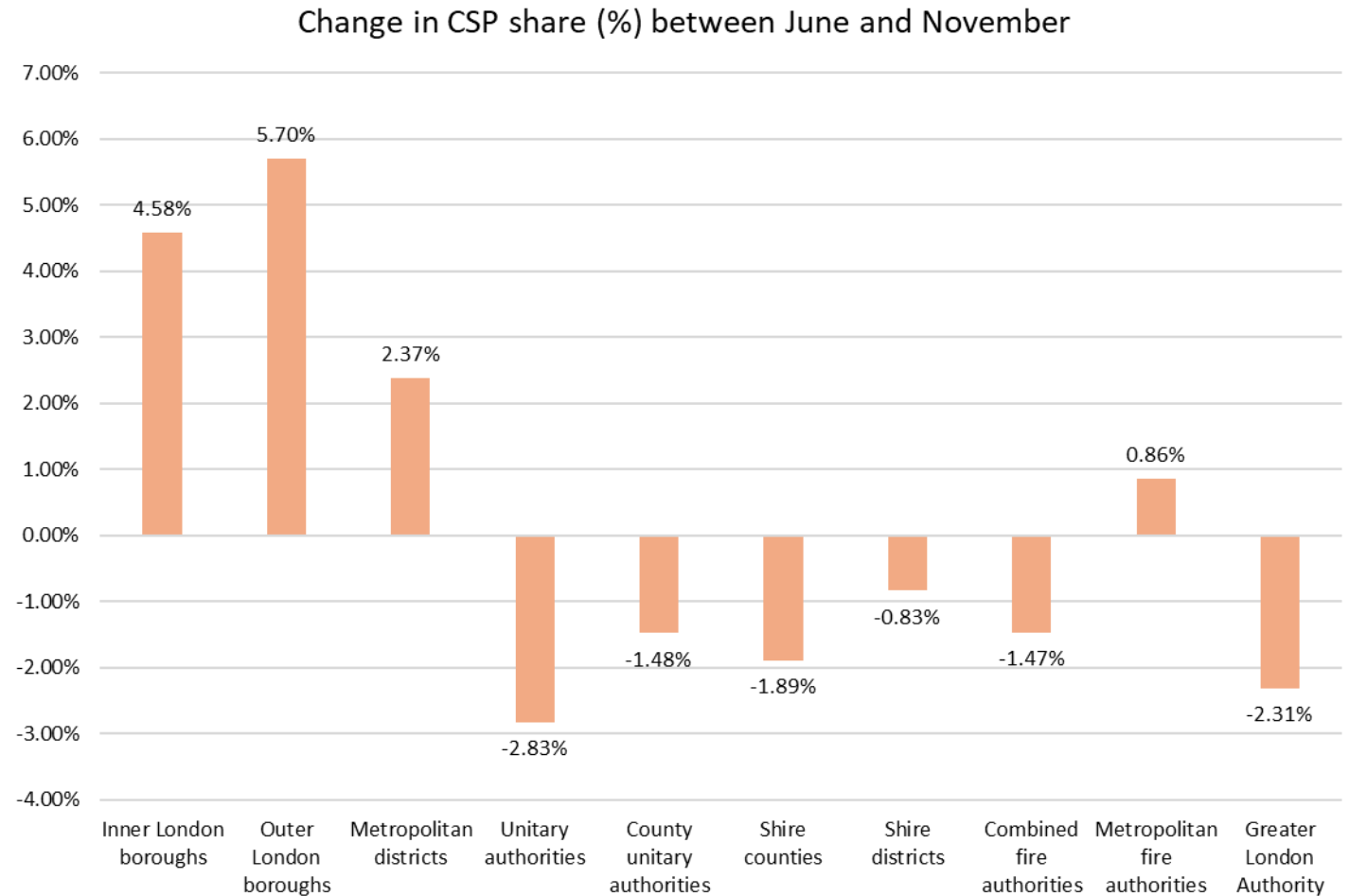


Gains (+), losses (-) between June and November, Lower Tier only (% of CSP)



# Change in CSP share (%)

- This takes into account only the change in funding share and excludes the impact of higher quantum
- Increase in CSP share in London is significant (+4.58% in inner London, +5.7% in outer London)
- Smaller increase in CSP share in Mets (+2.37%)
- Reductions in every other class (except Met Fire)
- Reductions in particularly large in county unitaries and shire counties
- Some specific circumstances in unitary authorities



# Main changes in the Policy Statement

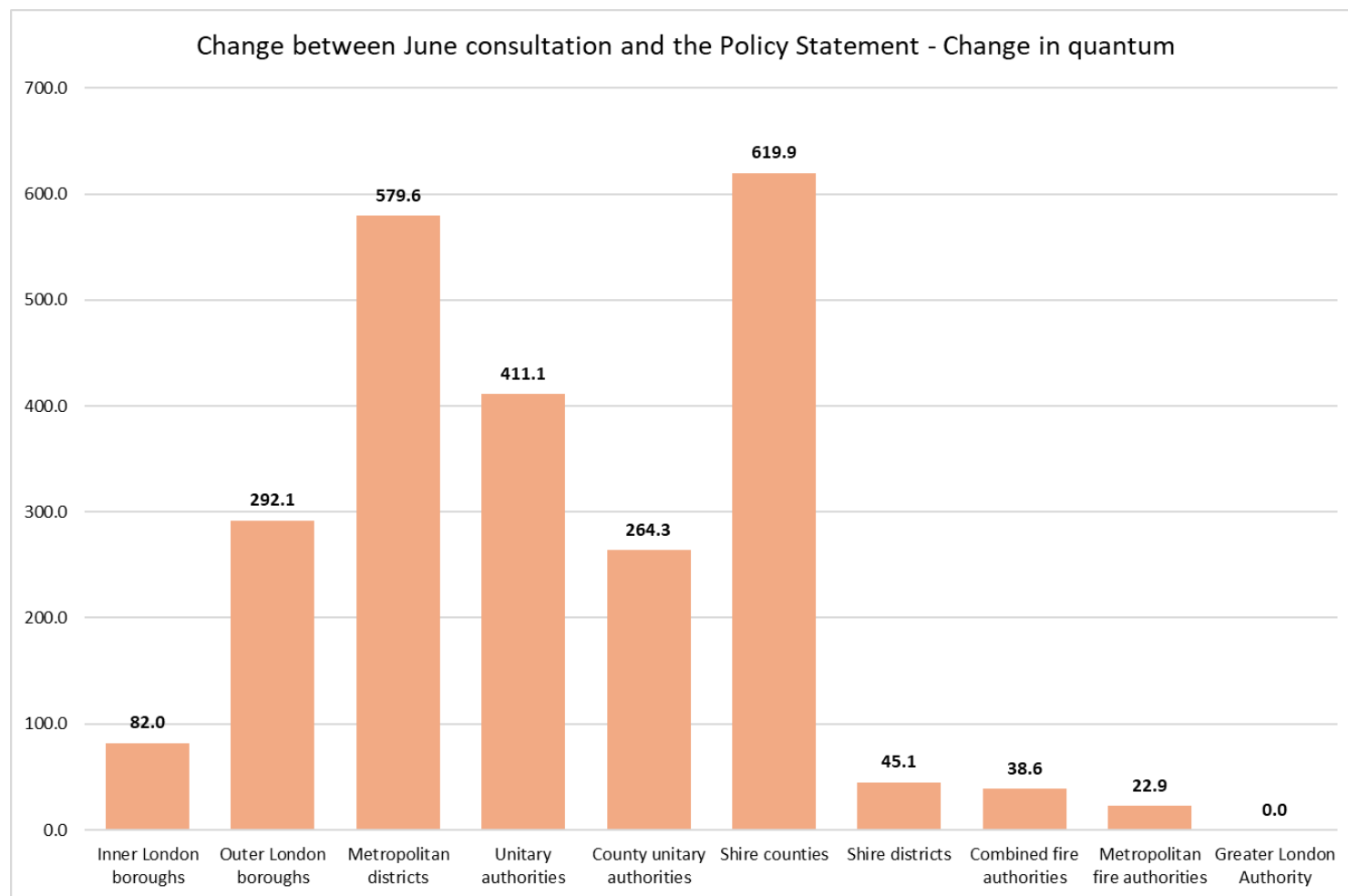
- Using 2022-based sub-national population projections (not mid-2024 population estimates)
- Using 2025 IMD and new IDACI (in Children's RNF)
- Removing "remoteness" from all ACAs, except ASC
- Reducing weighting for non-resident population in Foundation Formula (no change in data)
- Cap on distance in the Home-to-School Transport (HTST) RNF is increased from 20 to 50 miles
- Continuing Recovery Grant payments (to UT and LT authorities) in 2026-27
  
- Changes to quantum (since SR25) and to taxbase forecasts

# Quantum

- Forecasting in Summer based on Core Spending Power projections in SR25 (plus rolled-in BRRS income)
- Uncertainty about the council tax assumptions within SR25 (we assumed growth in grant funding of £2.3bn by 28-29, more likely £3.3bn by 28-29)
- Rolled-in BR income also higher (by around £900m). We assumed £1.495bn (post-levy retained rates for 50% scheme). Ministers decided to roll-in BR pooling and pilot gains, plus above-baseline cap compensation funding (£2.4bn in total)
- Overall, an additional ~£1.9bn in funding within Core Spending Power by 28-29
- Plus update to assumptions about taxbase growth
  
- Some uncertainty in the week beginning 24 November with unclear signals about the funding that was within the quantum and decisions ministers had taken post-SR25
- There is still some uncertainty and MHCLG will not fully outline quantum until the provisional settlement

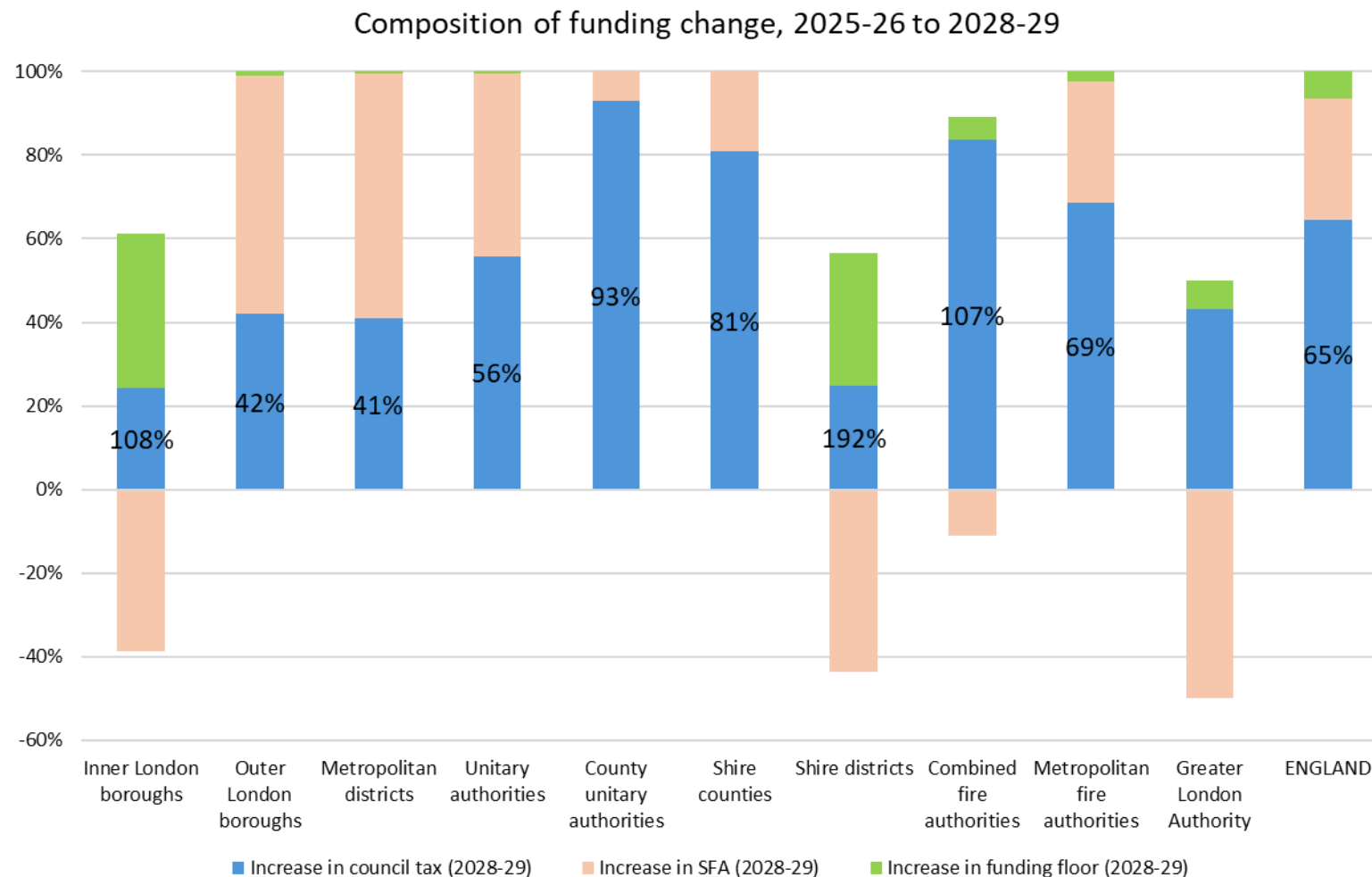
# Change in quantum

- By 2028-29, there is an additional £2.355bn within Core Spending Power (CSP) compared to our June assumptions
- Forecasts not constrained by the SR25 CSP projections
- Rolled-in BRRS up from £1.495bn to £2.4bn (now including rolled-in pooling/pilot/ and cap comp)
- £3.4bn in additional grant funding (ASC funding £900m, children's funding £870m, transitional support £1.375bn, and other funding £300m)
- Plus full indexation of BFL £3.5bn
- Largest cash increase for shire counties (including funding for ASC etc)



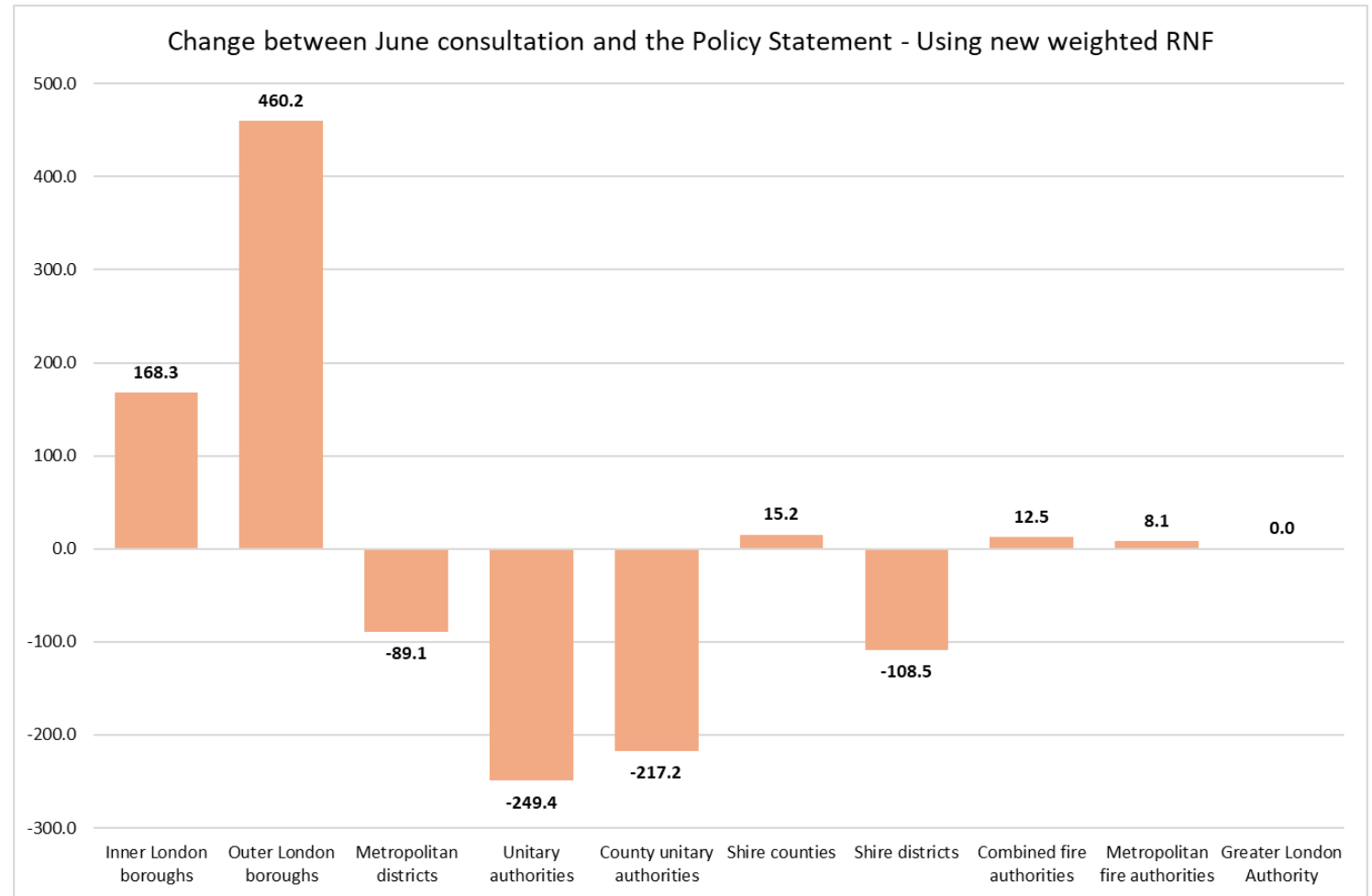
# CSP increase funded by council tax

- Overall, 65% of increase in CSP (including funding floor) is from council tax increases
- For county unitaries, 93% of CSP increase is from council tax, for shire counties 81%
- Outer London and Metropolitan authorities fund only ~40% of CSP increase from council tax
- Funding composition for inner London and shire districts is skewed by the scale of funding floor still received in 2028-29



# Revised weighted RNF

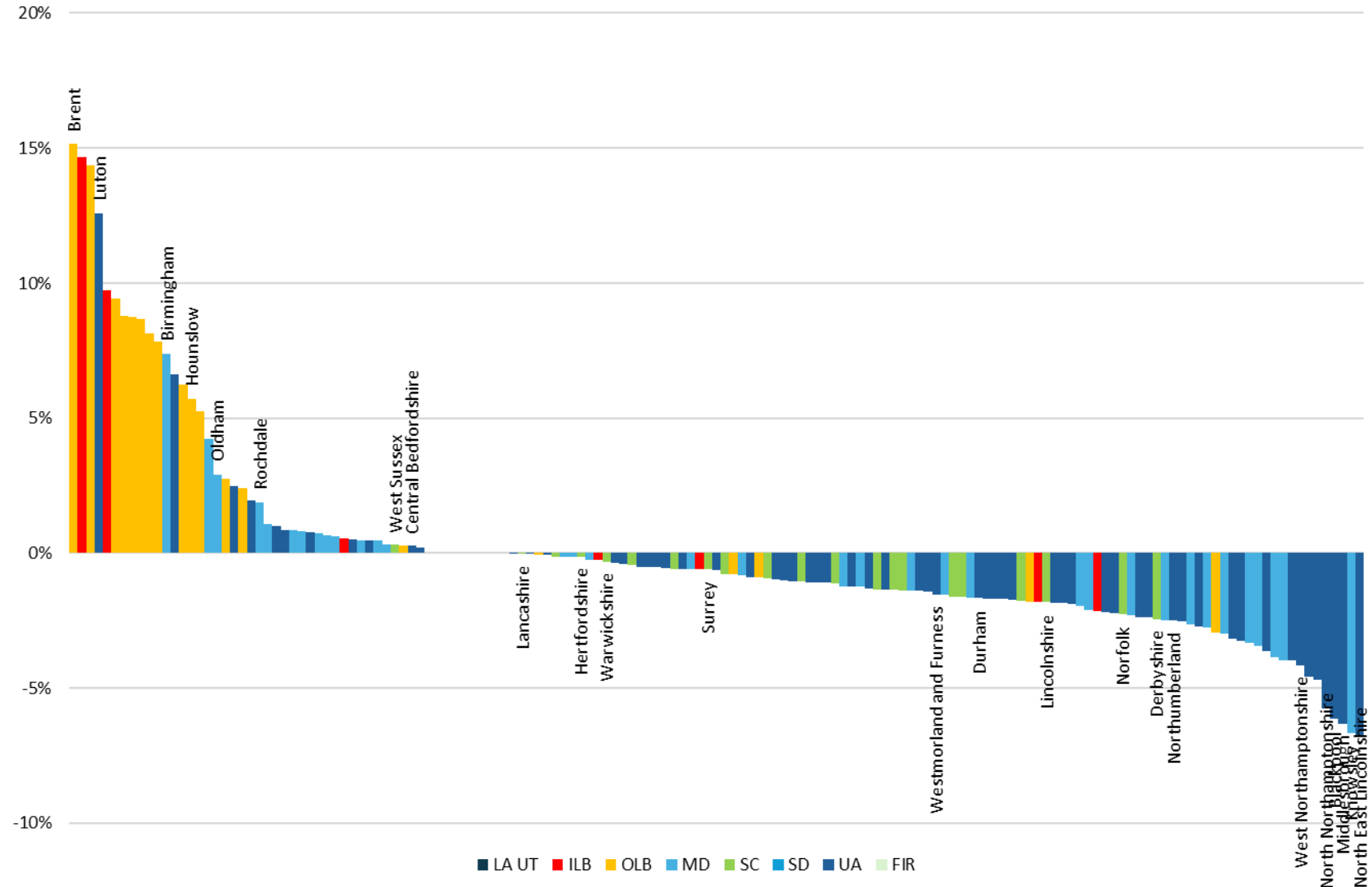
- Updated weightings, with higher share for County Foundation Formula
- Results in small cash gain for shire counties (even with other underlying reductions in RNF)
- Substantial reductions for county unitaries – reduced RNF share, with no offsetting increase in weighting
- Losses primarily driven by removal of remoteness
- Massive gains in London, esp outer London (IMD and IDACI)
- Surprising reductions in some unitaries with high levels of deprivation (Blackpool, Knowsley, Middlesbrough)



# Children's RNF

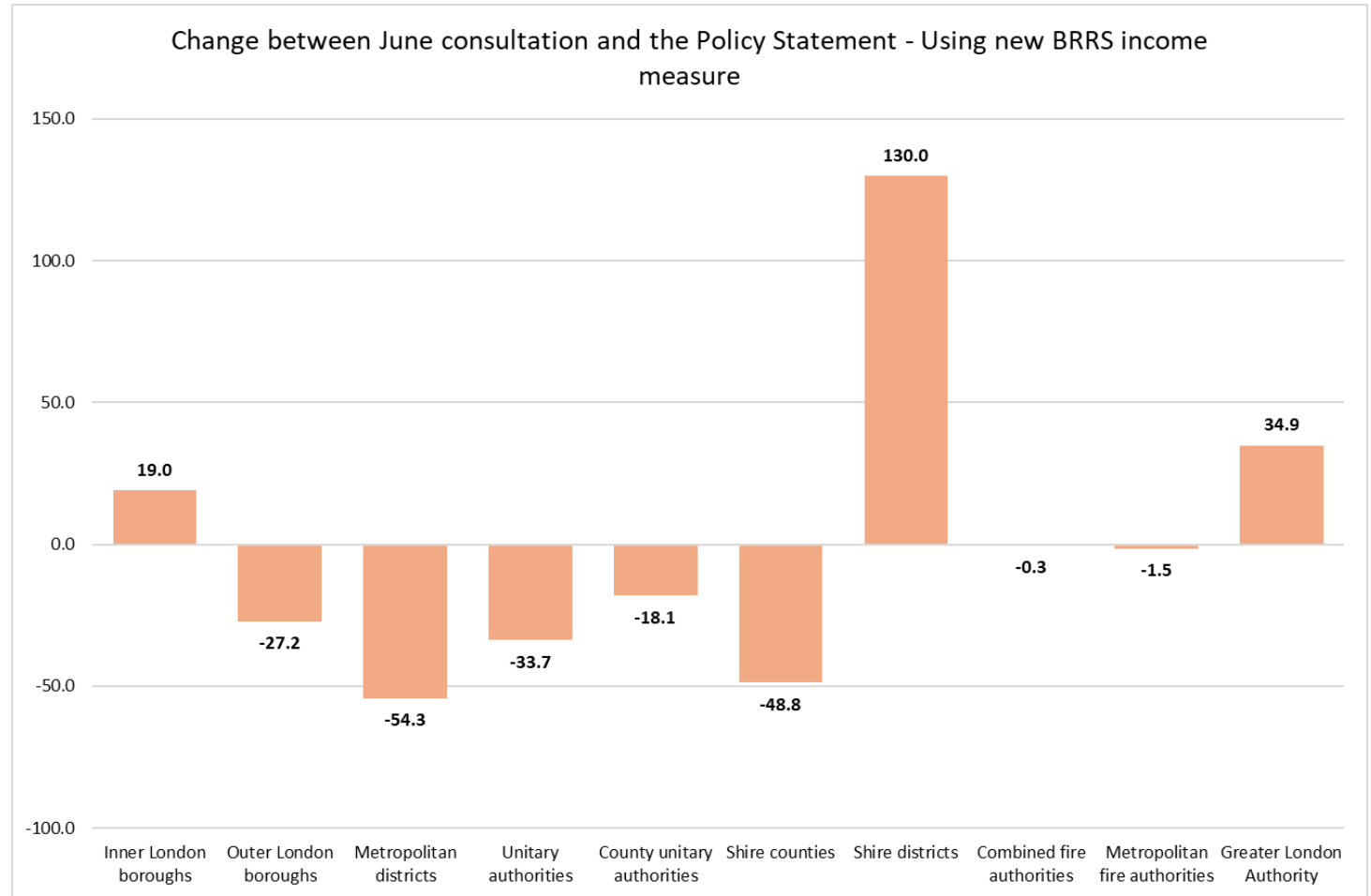
- Applying new IDACI to the Children's RNF
- Very significant gains in almost all inner and outer London borough, as well as some Mets (Birmingham, Oldham, Rochdale) – an increase worth 15% of CSP for Brent
- Losses worth more than 5% of CSP in North Northants, West Northants, and then some very high-need unitaries (Blackpool, Middlesbrough, NE Lincolnshire, plus Knowsley)

Change in Children's RNF (% of CSP) between June and November, Upper Tier only



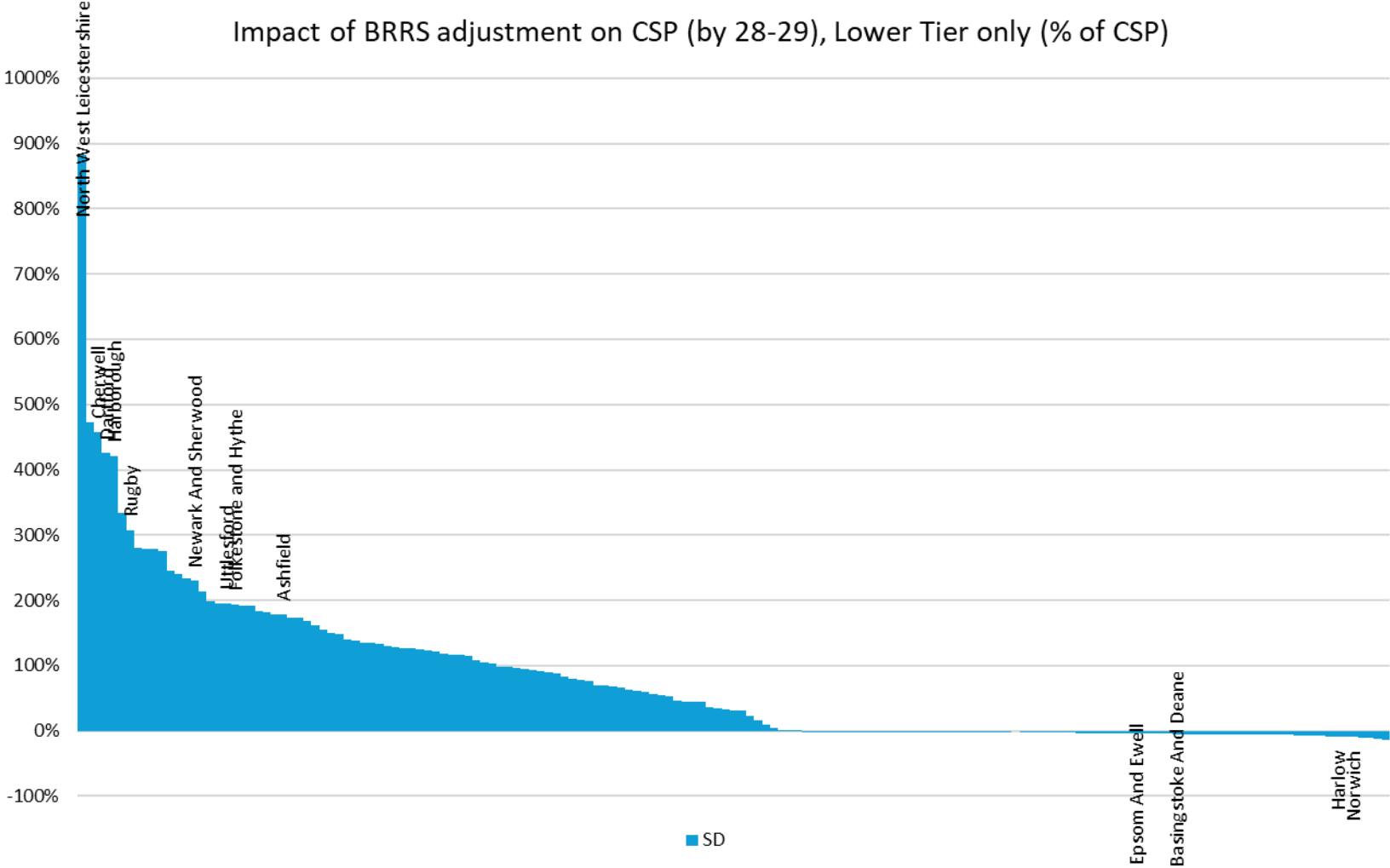
# BRRS income

- Perplexing decision to allocate full BR pooling gains to district councils
- Huge gain to shire district council in pools – and these are protected at 95% for 3 years
- Alternative measures available (e.g. notional split of pooling gains between tiers)
- Not a huge issue in itself but important at the margins – and also about equity



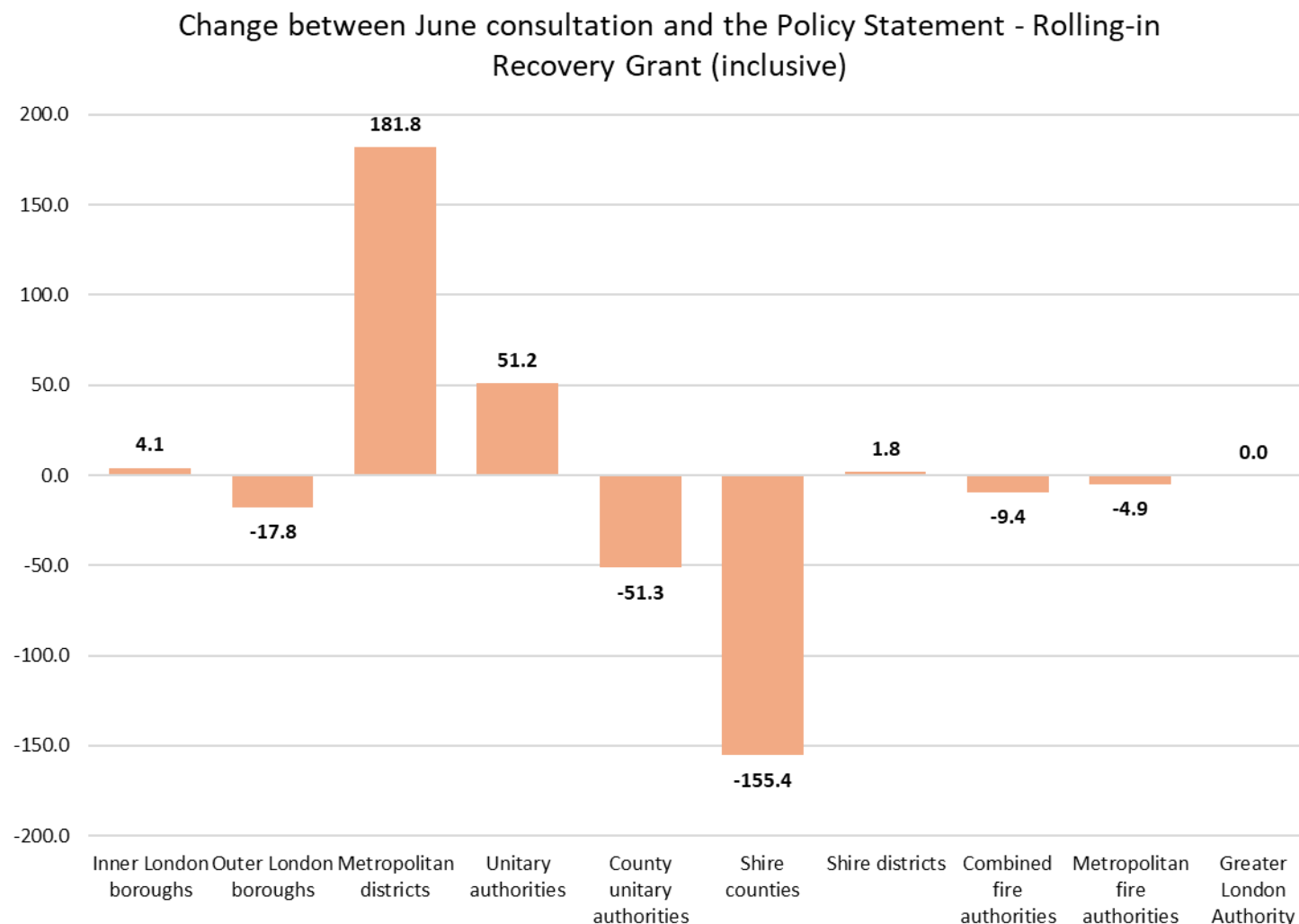
# BRRS – shire district councils

- BRRS income adjustment will benefit any shire district council with (a) high BR growth in 25-26 and (b) in a BR pool in 25-26



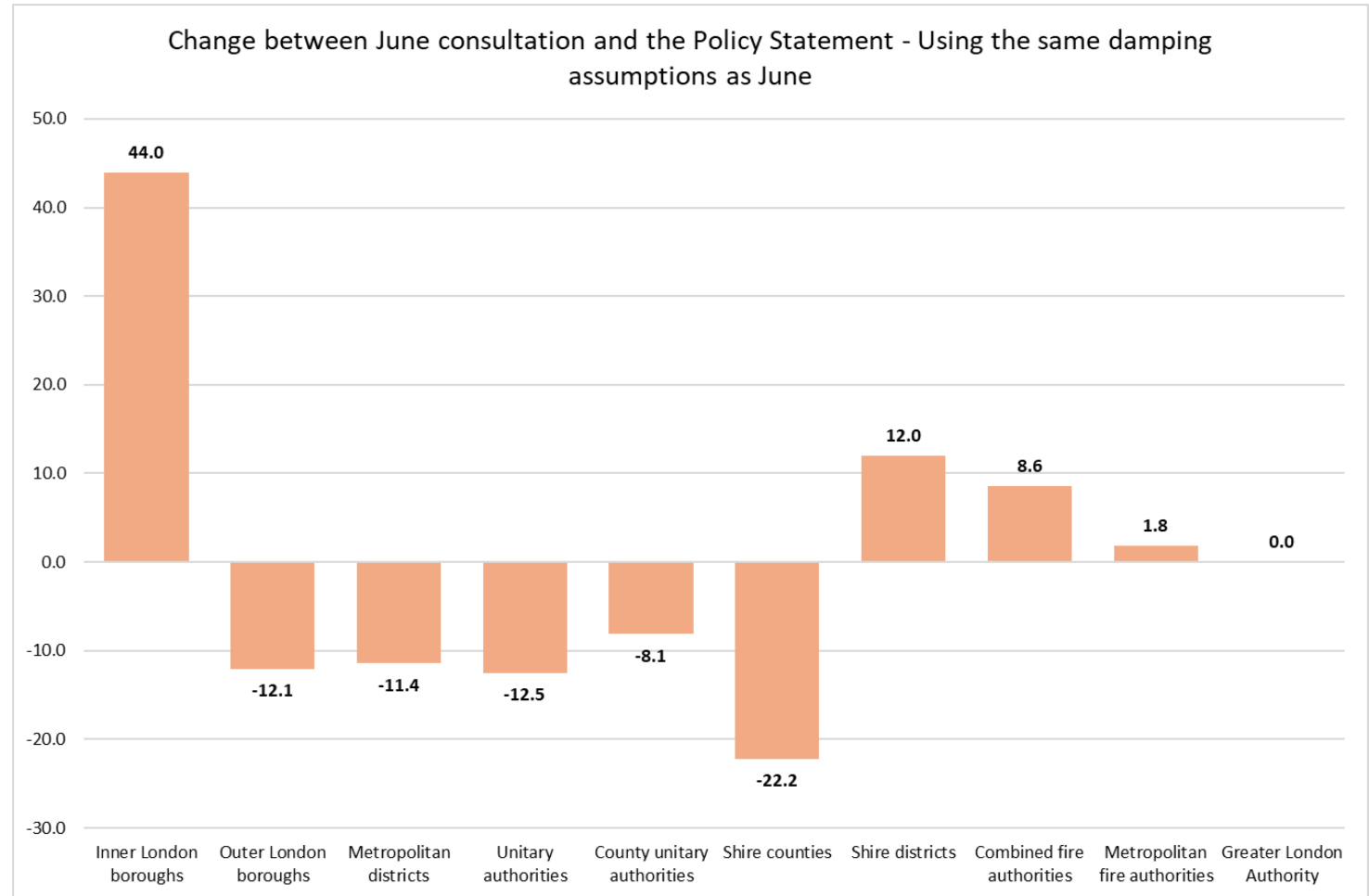
# Recovery Grant

- Decision to continue Recovery Grant over next 3 years based on 2025-26 distribution (i.e. 2019 IMD)
- £600m in total remains outside SFA rather than being rolled-in and redistributed
- Gains for Mets (only £181m compared to £341m in payments in 2025-26), and some gains for unitaries (some received large amounts)
- But gains for individual authorities are very significant (e.g. Birmingham)
- Losses in shire counties and county unitaries (smaller losses for London too)



# Transitional support – funding floors

- Floors are more generous – real-terms protection for Recovery Grant recipients and fire authorities; 95% protection rather than 93% for those most-above funding targets
- But relatively little movement in overall funding if we apply the June funding floor proposals
- Overall cost of the funding floors has increased, even if impact of reverting to the June proposals makes little difference to overall cost
- Cost of floors has increased because (a) there are more and higher floors, and (b) higher damping payments for districts' BRRS income



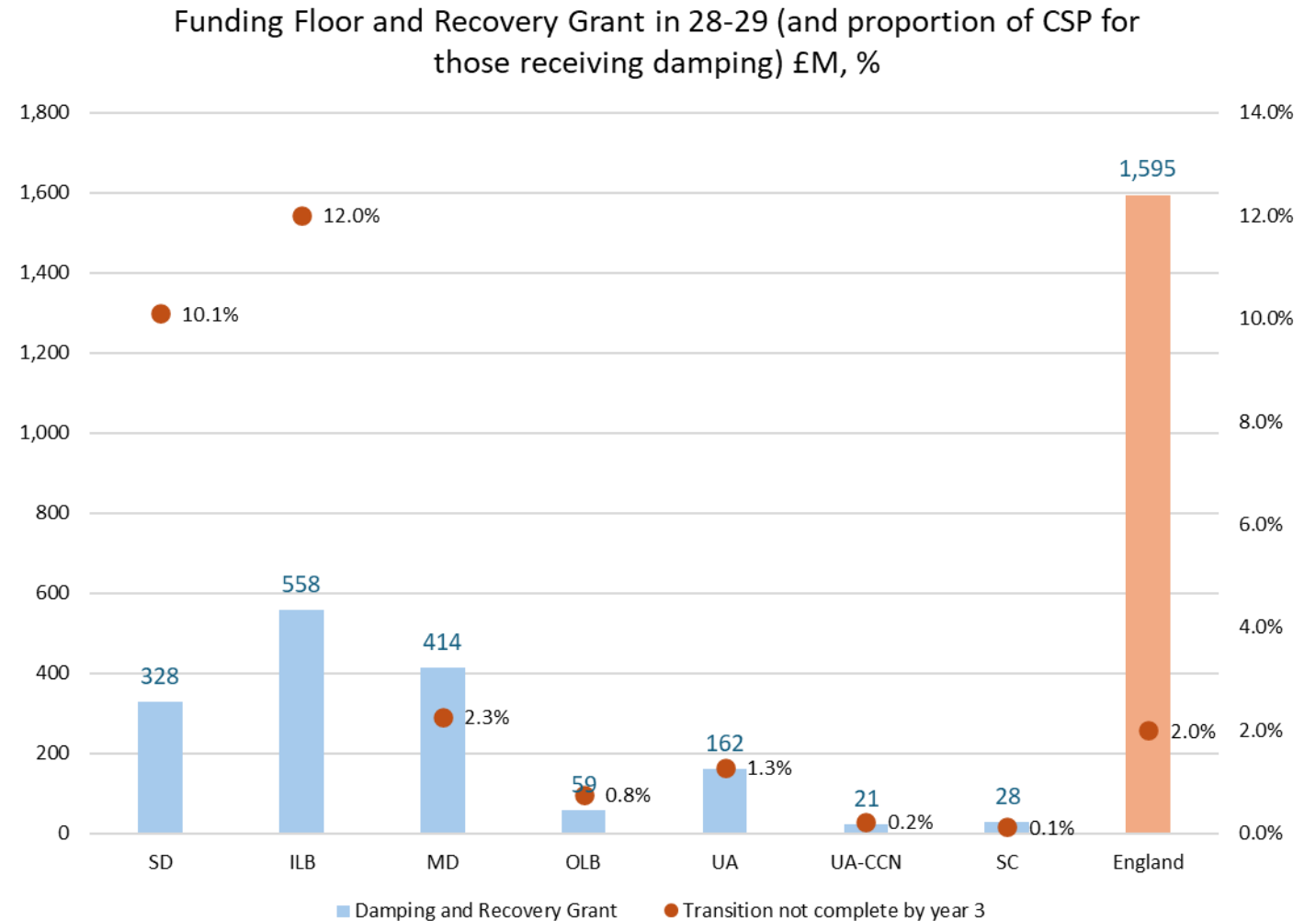
# Transitional support – funding floors

- Cost of floors is significant and growing (reaches £779m by 2028-29)
- Around £250m for shire district councils by 2028-29
- Relatively low payments for Recovery Grant authorities
- Funding floor payments to Inner London boroughs £405m in 2028-29, of which £124m to the City
- No funding floor payments for shire counties or county unitaries

	2026-27	2027-28	2028-29
Upper tier with Recovery Grant	47.7	54.5	59.3
Fire authorities	1.0	7.2	14.6
Upper tier (no Recovery Grant, <15% above target)	10.9	35.4	57.5
Lower tier less than 15% above target	21.3	64.8	110.0
Upper tier more than 15% above target with low council tax	56.9	206.6	356.2
Lower tier more than 15% above target	21.7	85.0	148.6
Greater London Authority	0.0	0.0	33.6
<b>TOTAL</b>	<b>159.5</b>	<b>453.6</b>	<b>779.8</b>

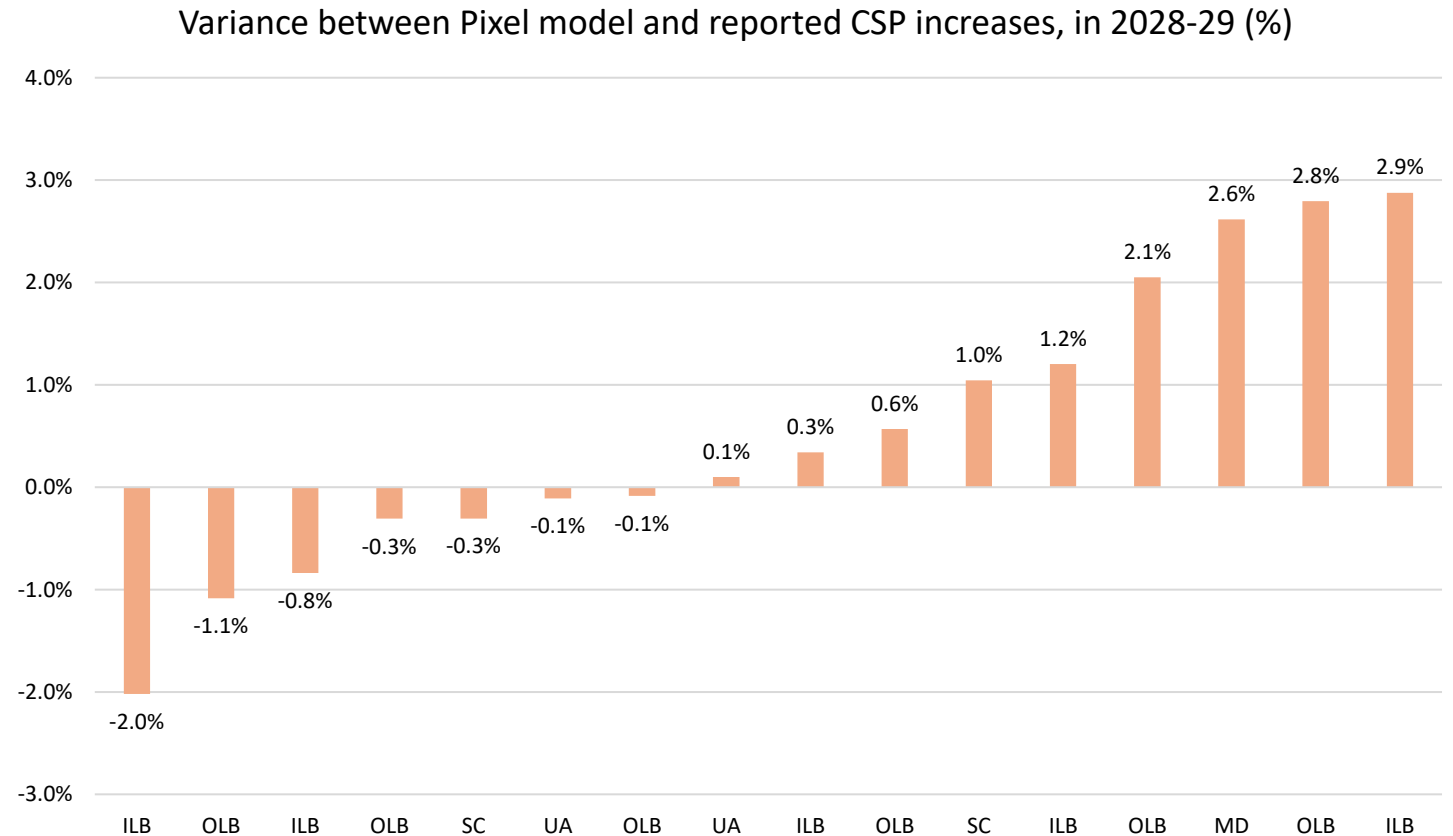
# Cliff edge going into 2029-30

- Very significant cliff-edge going into 2029-30 (new SR and possibly a new government)
- Particularly significant for shire districts and inner London boroughs (10.1% and 12.0% above funding target in 2028-29)
- Much lower cliff-edge for Mets (only 2.3% of CSP)
- Potentially, this is a risk for these authorities – but more likely that it makes it even harder for a future funding review to bring these authorities “down” to their funding targets
- This is a really important point of principle – ministers do not want to damping and do not want to repeat frozen damping of 2013-14 – but this does just that.



# Model accuracy

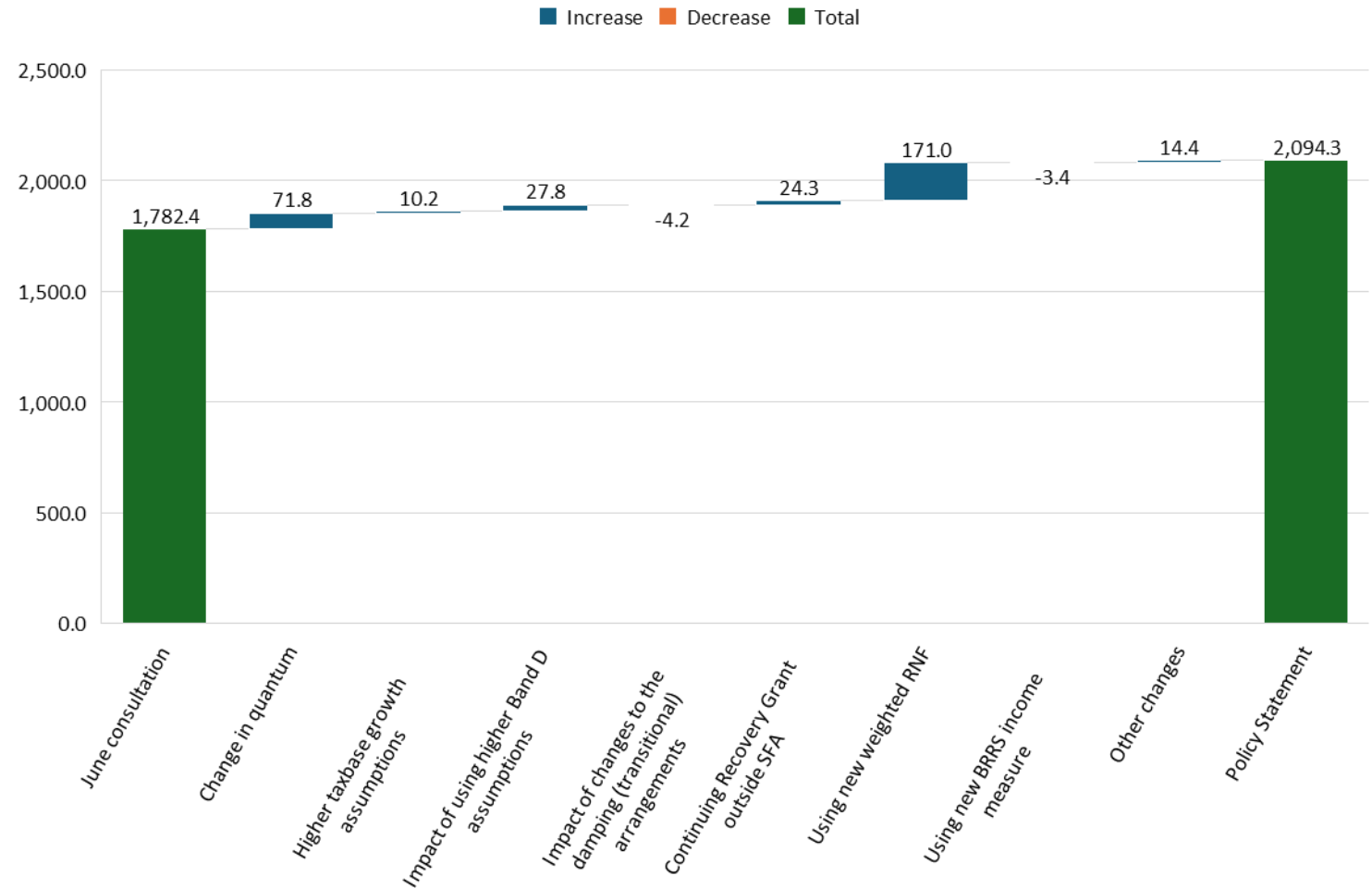
- Some values given to authorities for the 3-year increase in CSP (£M and %)
- 16 authorities shown in chart, not a representative selection
- We have compared these to our model
- Forecasts for shire counties and county unitaries are close
- Larger variances for some London boroughs and Mets
- Possible uncertainty around quantum
- **Bear in mind when using forecasts in budget planning**



# Change compared to June – Birmingham

- Comparison of 2028-29 in the June and latest MTFP models
- Gaining on everything
- Particularly on new weighted RNF (+£171m)
- £24m gain on Recovery Grant (compared to £39m actually received in 2025-26)
- **£311m increase in CSP (+17.5%), and reduced share of CSP (from 2.2% to 2.5%)**

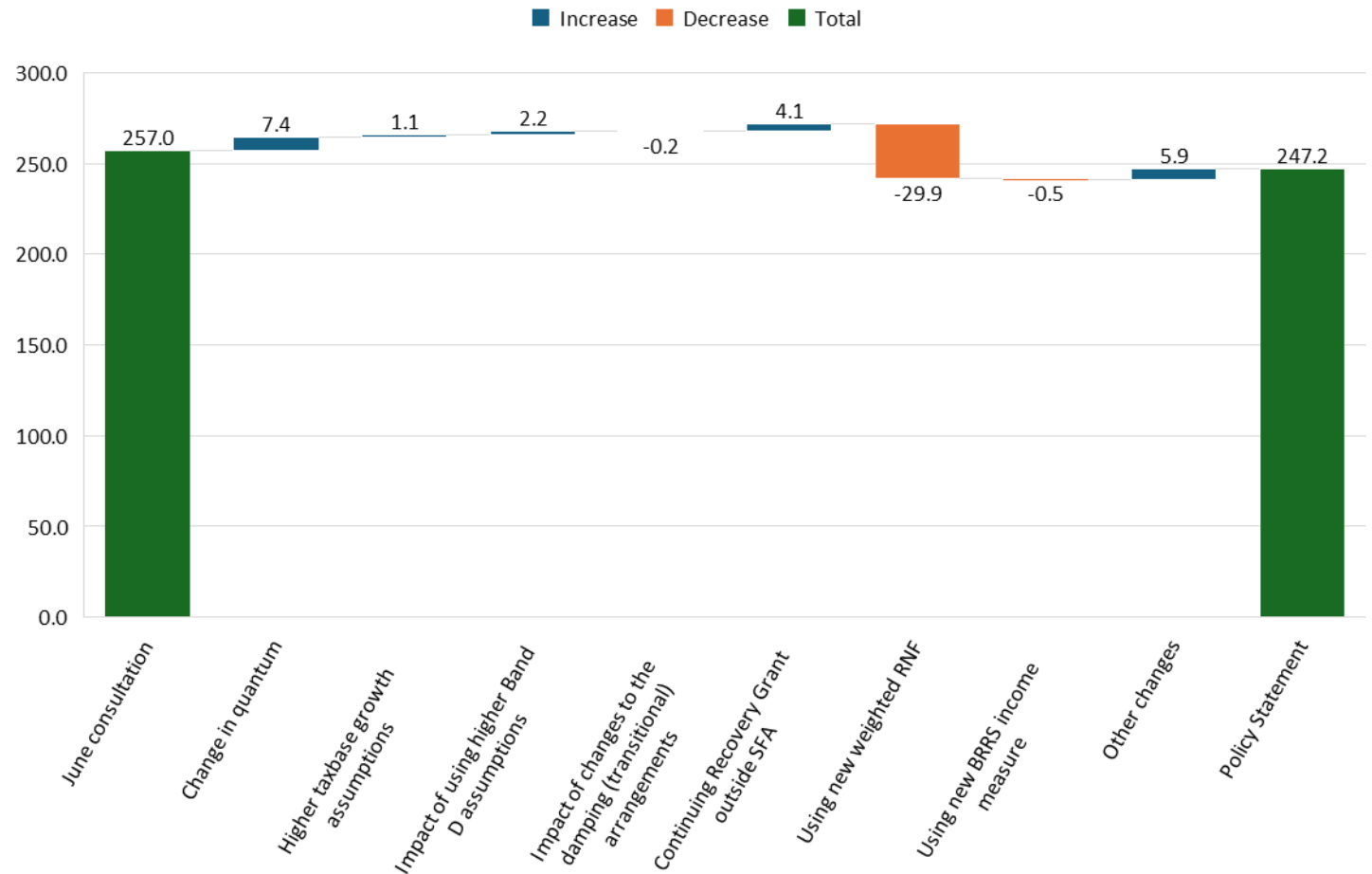
Impact of changes in Policy Statement (compared to June consultation)



# Change compared to June – Blackpool

- Comparison of 2028-29 in the June and latest MTFP models
- Gaining on quantum and Recovery Grant
- But losing very heavily indeed on weighted RNF – and particularly Children’s RNF
- Blackpool has highest IMD score (43.5)
- **£10m reduction in CSP (-3.8%), and reduced share of CSP (from 0.318% to 0.295%)**

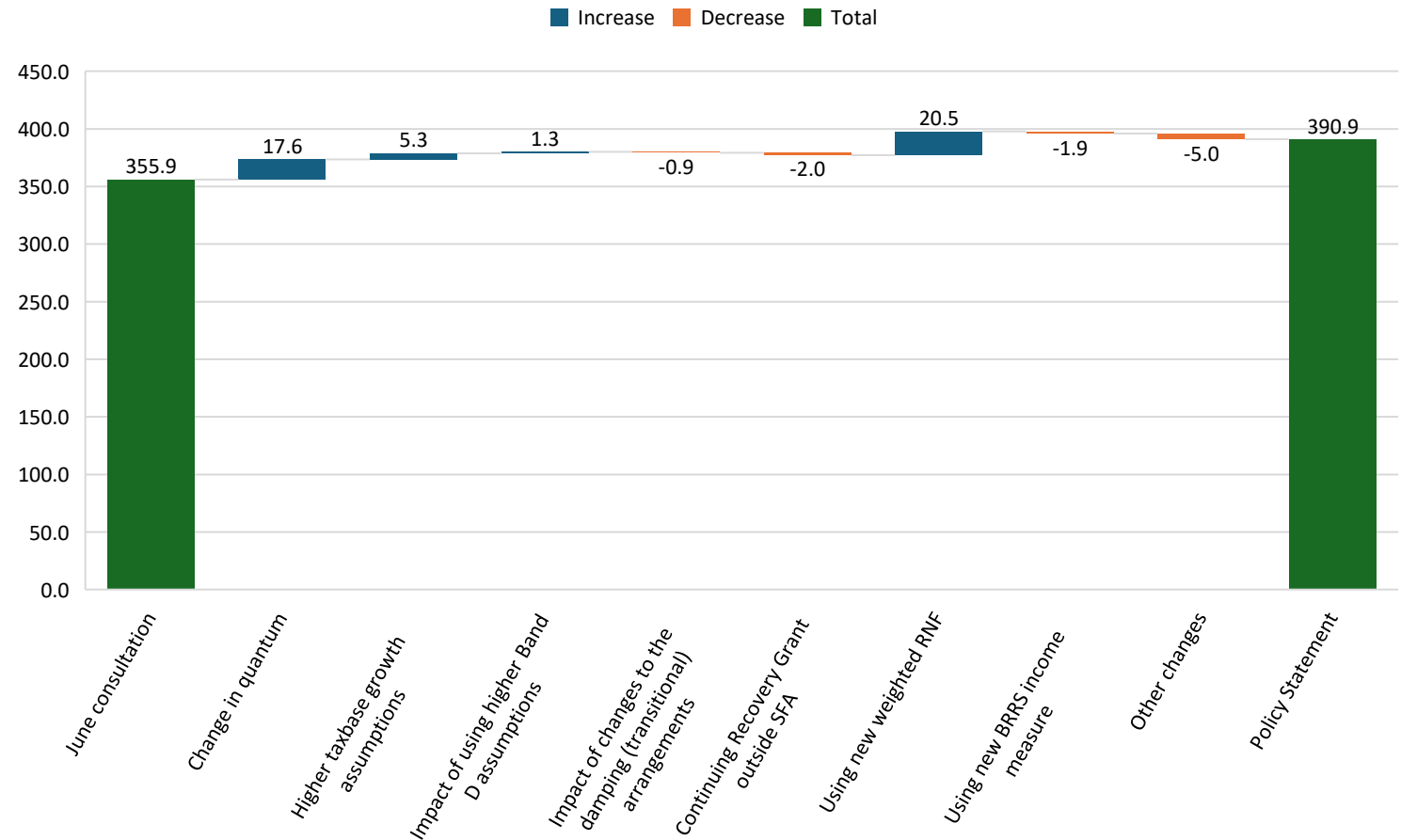
Impact of changes in Policy Statement (compared to June consultation)



# Change compared to June – Hounslow

- **Comparison of 2028-29 in the June and latest MTFP models**
- Substantial gains in June proposals and further gains in November
- Gains from weighted RNF and from quantum, marginally offset by smaller reductions in other changes

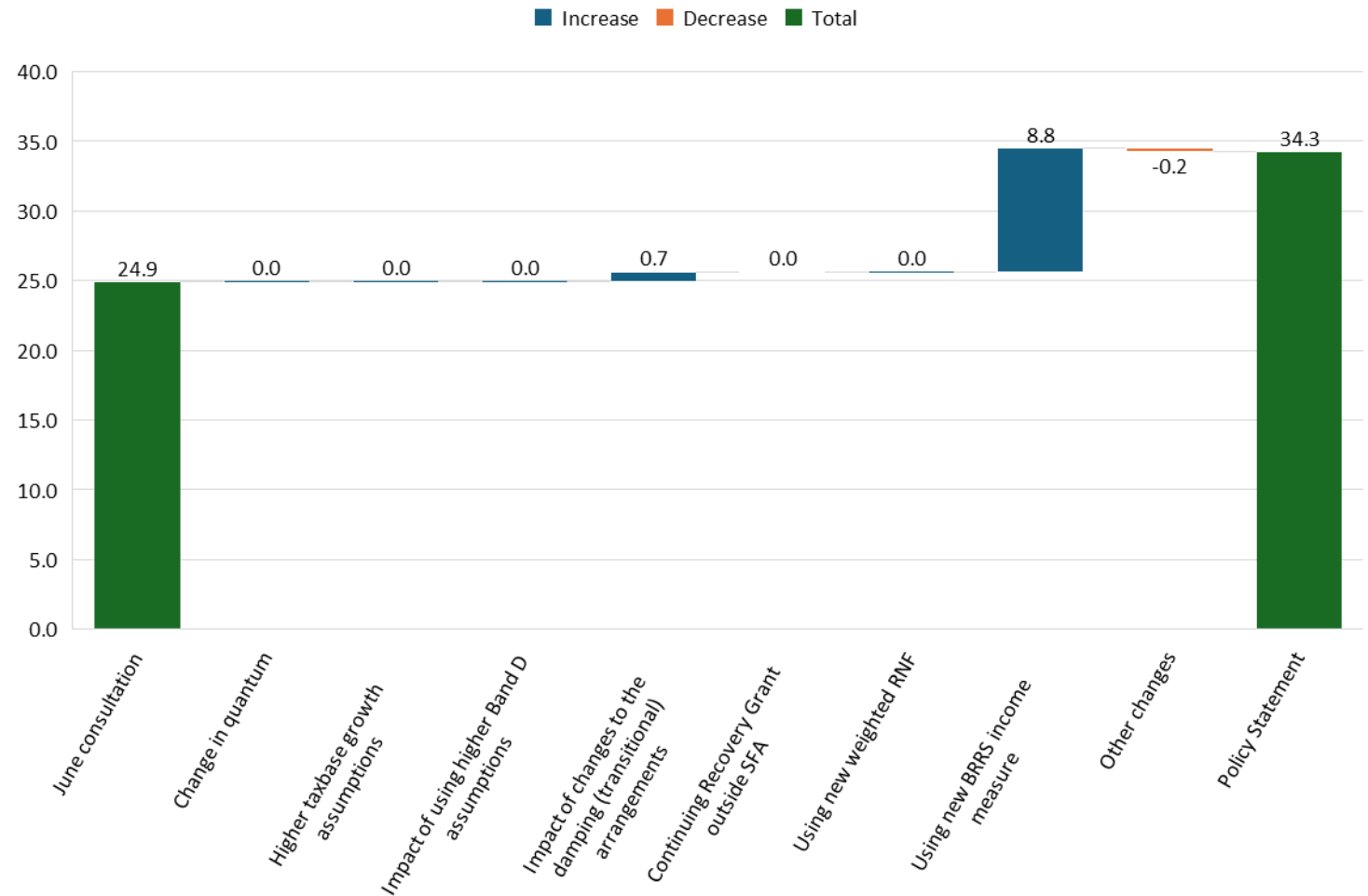
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# Change compared to June – North West Leicestershire

- **Comparison of 2028-29 in the June and latest MTFP models**
- Huge benefit from the way BR pooling gains have been rolled in
- Represents a 37% increase CSP compared to June
- **£9.3m increase in CSP (+37.5%), but reduced share of CSP (from 0.031% to 0.041%)**

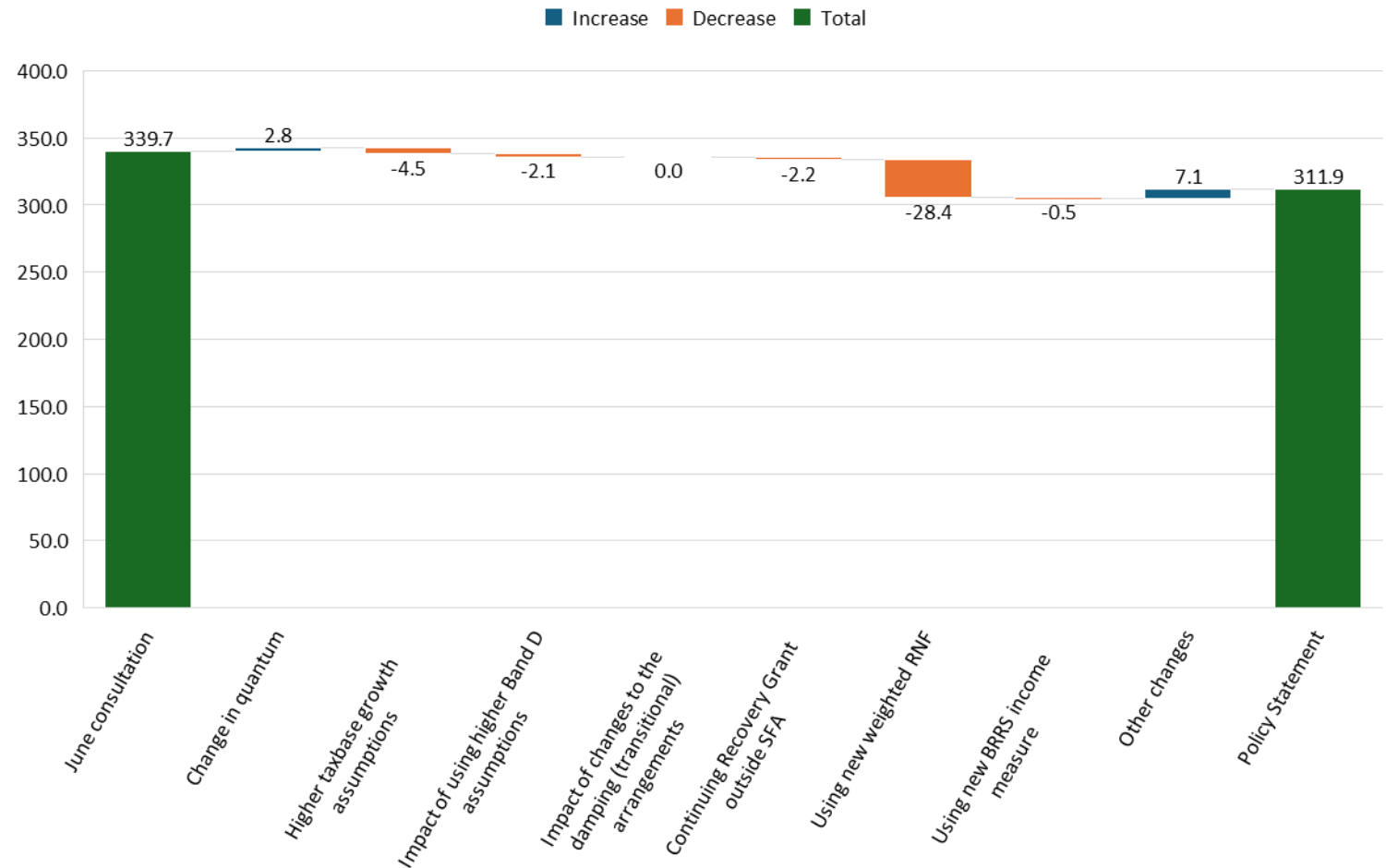
Impact of changes in Policy Statement (compared to June consultation)



# Change compared to June – Westmorland and Furness

- Comparison of 2028-29 in the June and latest MTFP models
- Losing from every change, particularly new weighted RNF
- Impact of remoteness
- Reduction of £28m compared to June
- **£28m reduction in CSP (-8.2%), but reduced share of CSP (from 0.42% to 0.37%)**

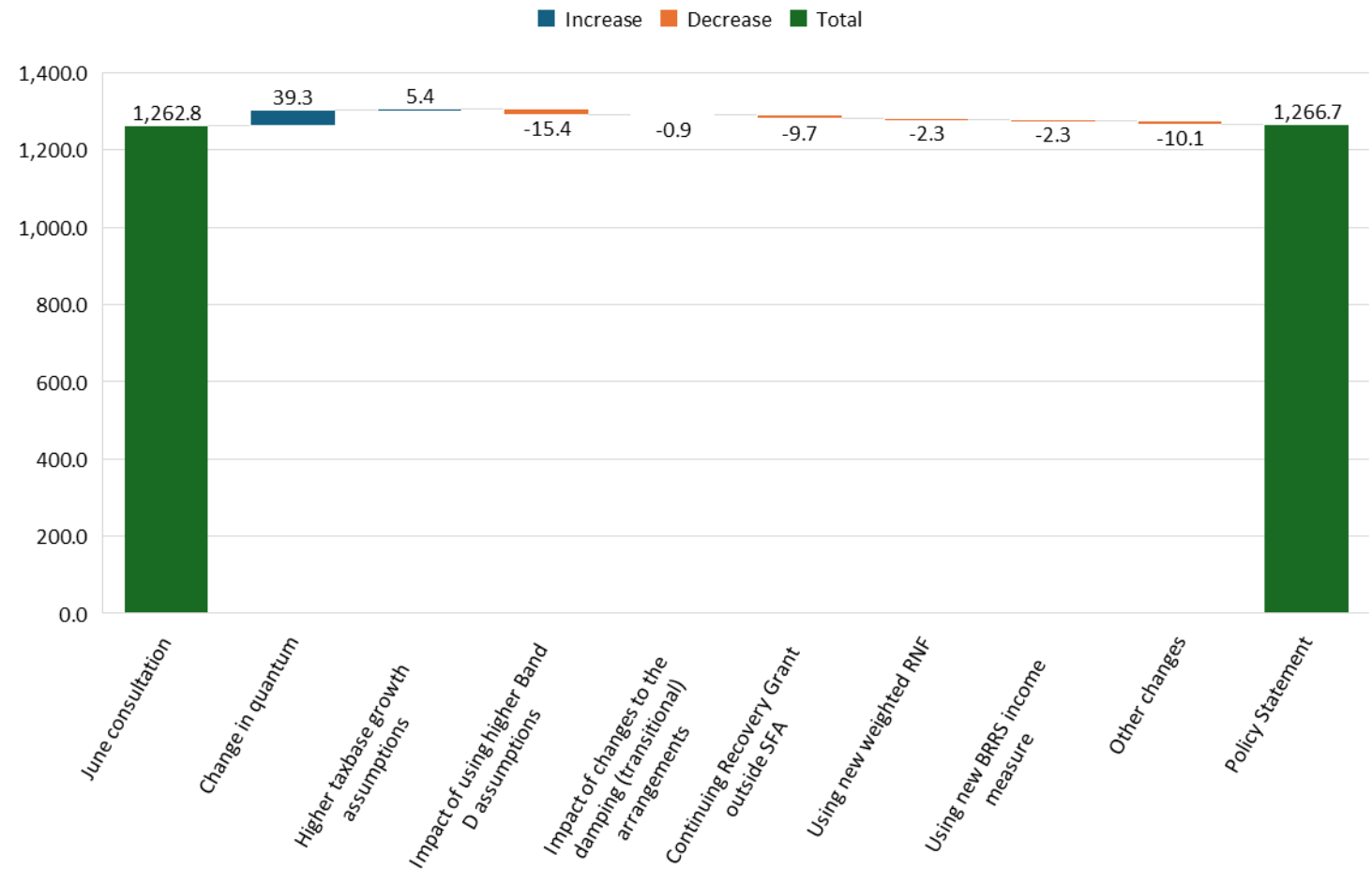
Impact of changes in Policy Statement (compared to June consultation)



# Change compared to June – Hertfordshire

- Comparison of 2028-29 in the June and latest MTFP models
- Gain from quantum – more than offset by other changes
- Small increase compared to June of £4m
- **£4m increase in CSP (+0.3%), but reduced share of CSP (from 1.562% to 1.511%)**

Impact of changes in Policy Statement (compared to June consultation)



# Next steps?

- Provisional settlement – 17 December?
- Our on-the-day briefing and analysis of variances between the settlement and our model
- Update the model when we can
  
- Potential for further lobbying?
  - ACA remoteness
  - Use of IDACI within the Children's RNF
  - Recovery Grant
  - Transition (cost and calculation)