



The Society of District Council Treasurers (SDCT) is pleased to respond to the consultation on The Fair Funding Review 2.0. Given that there are different implications across different districts, the response we are providing are the high level thoughts of SDCT regarding some of the principles in the consultation.

As a starting point, it is welcome that there is a move to simplify the overall funding mechanism to reduce the need for bidding for individual grant elements is welcome. Likewise flexibilities around sales, fees and charges do provide for local discretion are welcome. SDCT remain concerned that there is sufficient funding overall to deliver sound services to residents and business.

More than a single year settlement has been asked for over a number of years and is welcome given that there is also a focus on Local Government Reform.

As ever the issue for each council will be the individual allocations and the impact that has on the financial standing of that council. We are aware that some districts are adversely affected overall and have welcomed the opportunity to have direct discussion with MHCLG officials however as a principle SDCT would not want any districts to be financially penalised at a time when they are also facing additional pressures relating to Local Government Reform.

Many districts are concerned that in addition to the Fair Funding Review 2.0, the proposals for the modernisation of Council Tax will also present further financial changes potentially.

Transitional arrangements are helpful however such arrangements often cloud situations / allocations in the future. Clearly one of the solutions is to make transitional arrangement short term, which of course may be overtaken by structural reform and going forward ensuring that funding including Business Rates is kept current.

A number of districts face challenges relating to the financing of Internal Drainage Boards and whilst recognising that there is a different funding mechanism involving DEFRA, which is not referenced in the Fair Funding Review, it does need to be considered and aligned. Water Management is a key component of the ability to deliver growth in line with the Government's aspirations.

The other area that SDCT are concerned about is the ongoing funding in relation to extended producer responsibility which is not in the current consultation as this could result in uncertainty which would not be welcome.

In terms of the set of questions, it is difficult to provide answers that resonant with all districts however where possible points are raised which are common.

Submitted on behalf of the Society of District Council Treasurers.

	Questions	Responses
1	What are your views on the updated SFA resulting in zero allocations, and the use of mitigations to avoid zero allocations?	The consequences of a zero allocation means that it leaves the authority affected with very little choice over whether to raise its council tax or not as stated in the consultation. It may also cause pressure on the ability to balance the immediate year's budget without recourse to its reserves, if they exist. Mitigations are welcome in that situation however they do often cloud the transparency. The SFA does not appear to take account of the financial situation of the council concerned.
2	Do you agree with how the government proposes to determine the Council of the Isles of Scilly's Settlement Funding Assessment?	No strong view on this matter. It does appear to be appropriate to make this a special case due its unique circumstances
3	Do you agree with the government's plans to simplify the grant landscape?	The request for simplification has been a longstanding one so it is welcome.
4	Do you agree with the formulae for individual services the government proposes to include?	The areas that have been set out do reflect those where there are the greater funding pressures in local government currently. Recognising that the service demands on councils may not be solely linked to resident population is also relevant and welcome.
5	Do you agree with the areas of need the government proposes to no longer include in the assessment through the Foundation Formula?	It feels appropriate to remove these elements given that many of them have,

		as stated, been overtaken by subsequent events.
6	Do you agree with the government's approach to calculating the control total shares for the relative needs formulae?	The approach appears sound however whilst there is no alternative but to use data from prior years, ensuring that this remains relevant to cope with changes in demand will be essential. It is welcome to see the reference to geographical basis taking account of LGR.
7	Do you agree with the Labour Cost Adjustment (LCA) and Rates Cost Adjustment (RCA) equations set out in this chapter?	There appears to be no reason to dispute these as reasonable adjustments
8	What are your views on the proposed approach to the Area Cost Adjustment (ACA)?	No strong view on this matter.
9	Do you agree or disagree with the inclusion of the Remoteness Adjustment? Do you have any evidence to support or contradict the theory that rural areas face additional costs due to separation from major markets?	Remoteness does affect service provision so this is welcome. Travel time and distance add resource challenges to a number of basic services. For rural districts this affects the cost of refuse collection and other operational services. For upper tier and unitarities there are other challenges, so it is welcome to see that this is to be reflected as an adjustment.
10	Do you agree with the government's proposal to set a notional Council Tax level at the national average level, to achieve the objective of full equalisation?	This clearly has to be considered as part of Local Government Review and it makes sense to aim to do this as part of the overall reset of both the funding and the structure of local government. It is often councils with limited ability to grow the

		council taxbase that are also most financially challenged
11	Do you agree with the government's proposal to fully include the impact of mandatory discounts and exemptions in the measure of taxbase?	It does make sense for these to be included where they are mandatory subject to the detail of what basis these will be set from. Again, it is likely to be historic data but it should also have regard to trends.
12	Do you agree with the government's proposal to use statistical methods to proxy for the impact of Working Age Local Council Tax Support in the measure of taxbase?	Whilst this seems logical, the detail of how this will take into account the variations that can be adopted locally is not clear. Fully support that a blanket uniform approach is not appropriate
13	What are your views on the proposed statistical approach to proxy for the impact of Working Age Local Council Tax Support?	It is hard to express a firm view without more detail to see how this will impact on different scenarios
14	Do you agree with the government's proposal to assume that authorities make no use of their discretionary discount and premium schemes in the measure of taxbase?	Discretionary discounts and premiums are, and should remain, a local matter. There is indeed a simplicity and uniformity to this approach which means that both benefits of premiums and consequences of discounts are dealt with locally.
15	Do you agree with the government's proposal to apply a uniform Council Tax collection rate assumption to all authorities?	Subject to this not assuming that all councils can achieve the highest rates of collection there is some merit in this. Authorities that do not have the most generous Council Tax reduction schemes do tend to have higher levels of non collection due to this.

16	Do you agree with the government's proposal to split or allocate the resource adjustment in multi-tier areas according to the average share in council tax receipts in multi-tier areas?	Recognising that this split will not have a long term impact post Local Government Reorganisation, the proposed split is reasonably close to the current split between lower tier and upper tier therefore we do not have evidence to dispute this.
17	Noting a potential trade-off of an increased levy charged on business rate growth for some local authorities, do you agree that the level of Safety Net protection should increase for 2026-27?	This has been the mechanism used previously and as set out, in that it will be tapered out as indicated over the multi year settlement then it gives time to factor the reduction into medium term financial planning
18	Do you agree with the government's proposal to end the New Homes Bonus in the LGFS from 2026-27 and return the funding currently allocated to the Bonus to the core Settlement, distributed via the updated Settlement Funding Assessment?	This has been put forward over a number of years and fits with the direction of travel on the NHB. As ever when an identifiable element of grant is subsumed within a broader grant, it is essential that the overall quantum is equally not reduced.
19	What measures could the government use to incentivise local authorities to specifically support affordable and sub-market housing?	
20	Are there any further flexibilities that you think could support local decision-making during the transitional period?	For some authorities, there is a 3 year or more planning horizon however for those where LGR will affect them, the focus is different and some flexibility to deal with the pressure of funding LGR before savings can be materialised will be the more pressing matter. This may be the prospect of some form of repayable

		<p>funding to support transition under the shadow boards that will be in place in due course. This may of course challenge the ongoing financial viability of new unitaries given that there will be inherited challenges from areas such as the DSG overrides.</p>
21	<p>What are the safeguards that would need to go alongside any additional flexibilities?</p>	<p>This is linked to the answer to question 20 as it is difficult to see how a shadow board and then the new council will be able to sustain itself if its funding and spending power are fettered by any flexibilities or transitional arrangements that are still tapering out from predecessor councils</p>
22	<p>Do you agree or disagree that we should move local authorities to their updated allocations over the three-year multi-year Settlement?</p>	<p>With all the other changes, it is hard to disagree that this is the appropriate mechanism as it will allow recalibration as the newly forming unitaries. What will be important is that there is a recalibration once new councils are in train. Other than the Business Rates Reset this council is not unduly affected by any of the proposals as far as we can determine. This may however change when the outcome of the consultation is announced and/or the provisional settlement is announced.</p>

23	Do you agree or disagree that we should use a funding floor to protect as many local authorities' income as possible, at flat cash in each year of the Settlement?	Fully support the requirement for a funding floor to support flat cash. This is especially important when there is still inflation which then drives the need to be continually efficient particularly where there are not significant reserves. Not having a funding floor when there will always be pay inflation, potential increases in pension contributions, cost inflation and other pressures will mean that there will be little choice but to reduce service provision and/or reduce workforce
24	Do you agree or disagree with including projections on residential population?	Yes in principle as this does drive service demand
25	Do you agree or disagree with including projections on Council Tax level?	This essentially means that most councils will find it hard not to increase council tax by the maximum on each occasion
26	Do you agree or disagree with including projections on Council Tax base?	Projections should be informed by the councils not just by centrally held metrics as they will have the better information. Many councils already look at the projections for taxbase growth
27	Please provide any additional information, including any explanation or evidence for your response and any views on technical delivery. If you agree, what is your preferred method of projecting residential population, Council Tax level and Council Tax base?	This may vary across districts so no collective response
28	Do you agree with the above approach to determining allocations for areas which reorganise into a single unitary authority along existing geographic boundaries?	This appears to be the logical methodology given that the revisions are based on most recently available data.



29	Do you agree that, where areas are reorganising into multiple new unitary authorities, they should agree a proposal for the division of existing funding locally based on any guidance set out by central government?	This appears to be reasonable subject to fully understanding the impact of the disaggregation of county functions into different unitary configurations
30	Do you agree that the government should work to reduce unnecessary or disproportionate burden created by statutory duties?	This is an area where there are hidden cost impacts. For example. Freedom of Information requests are an activity that has a resource cost attached to it which does not deliver a direct benefit to residents, business and chargepayers. It is almost impossible to plan for the burden and cost of this type of work as it is not predictable in terms of area or volume. There will be several other similar examples. Much has been said elsewhere about the burden of complex financial reporting which is not of value to the community but equally requires a level of external audit, the burden of which has been growing in volume and cost.
31	Do you agree with the proposed framework outlined at paragraph 11.2.3 for assessing whether a fee should be changed?	There are some fees where they do not cover the cost of the work required. Planning fees have long been suggested as out of line with the resources required to determine an application. It is understandable that some fees should be prescribed, such as planning otherwise it will skew where development is put forward if there are significant fee

		differentials. It may not be easy to set fees that reflect individual council circumstances and variations in the way in which services are carried out.
32	The government invites views from respondents on how best to balance the need to maintain fee values and the original policy intent of the fee whilst minimising cost of living impacts for service users.	There are two sides to this argument. Fees for statutory services where there is no alternative will impact on service users however councils equally have obligations to pay increased costs such as salaries and contractual costs which impact on the costs of service provision. Inflation has been absorbed by councils over a number of years and whilst it may not be applicable to pass on all increases, there should be recognition of that in terms of maintaining the benefit of fee income.
33	Do you agree that the measures above provide an effective balance between protecting charge payers from excessive increases, while providing authorities with greater control over local revenue raising?	The measures seem to be appropriate. It is not right that there should be fee levels that exceed cost recovery over a sensible period, for example 3 years. This is because if there is an investment requirement the cost recovery can be spread over the expected fee for a future period. 3 years would seem to be a reasonable period.
34	Do you agree that we should take action to update fees before exploring options to devolve certain fees to local government in the longer term?	In short, this is supported. If fees are not updated before devolving them, there will be an immediate imbalance.

35	Do you agree or disagree that these are the right Relative Needs Indicators? Are there any other Relative Needs Indicators we should consider? Note that we will not be able to add additional indicators for a 2026-27 update.	As a lower tier authority, this is not a question that can easily be commented on. Those unitaries and counties with the relevant data will be better placed to answer that question
36	Do you agree or disagree with including population projections in the ASC formula, when published, that have been rebased using Census 2021 data?	These questions are not relevant to District Councils.
37	Do you agree or disagree with our proposal to include a Low-Income Adjustment (LIA) for the older adults component of the ASC RNF model?	
38	Do you agree or disagree that the overall ASC RNF should combine the two component allocation shares using weights derived from the national ASC net current expenditure data on younger and older adults (in this case 2023 to 2024)?	
39	Do you agree that ethnicity should be removed as a variable in the CYPS formula?	
40	Do you agree overall that the new formula represents an accurate assessment of need for children and family services?	
41	Do you believe that the components of daytime population inflow should be weighted to reflect their relative impact on demand for services?	In principle, the components appear to be reasonable as long as there are not assumptions that there are lesser costs for the areas where daytime populations flow from. Transient visitors present additional demands on services, the basic services that they rely on for the area that they live in still remain
42	Do you agree with/have any comments on the design of the Foundation Formula?	No comments currently
43	Do you agree with/have any comments on the design of the Fire and Rescue Formula?	The components all appear to be relevant and understandable

44	Do you agree with/have any comments on the design of the formula for Highways Maintenance?	No specific comments as a lower tier authority
45	Do you agree with/have any comments on the design of the formula for Home-to-School-Transport?	No specific comments as a lower tier authority
46	Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?	The consultation states that each council ultimately determines its spending priorities and in making those decisions will consider is PSED Act duties therefore to attempt to overlay that into the already reasonably complex model would become a layer of unnecessary complexity