

# Fair Funding Review

Appendix 1

July 2025



*Cherwell*  
DISTRICT COUNCIL  
NORTH OXFORDSHIRE

# Overview

The Fair Funding Review 2.0. consultation includes final proposals to:

- make major changes to the main funding formula with a stronger link to levels of deprivation and population.
- reset the baseline for retained business rates in full in 2026-27
- scrap the New Homes Bonus and return the funding to the core settlement.
- simplify and consolidate several grant pots, including grants for homelessness prevention, rough sleeping and temporary accommodation.
- provide transitional funding, including a minimum funding floor, to protect councils from the full impact of the funding changes.
- move gradually towards greater local freedom on setting fees and charges, but no concrete proposals.

These changes will be implemented over three years, beginning in 2026-27. They will be delivered via a multi-year finance settlement published later in 2025.

The consultation does not propose any changes to council tax funding.

# Funding Simplification (Chapter 3)

- MHCLG to confirm grants to incorporate within RSG at the provisional settlement – creates risks and uncertainty in budget planning to find out in November/December.
- Whilst Districts still exist, it makes sense to have grant targeted to relevant tiers, rather than consolidated.
- The DCN has concerns about consolidating the Discretionary Housing Payments and Household Support Fund into a single grant. There is a risk this will lead to all funding in the grant being allocated to county and unitary councils in the same way as currently happens with the Household Support Fund. DCN's view remains that all grant related to housing should be allocated directly to housing authorities
- The transfer of New Homes Bonus to the core settlement and allocating according to updated assessment of needs and resources, is a fundamental shift in resources from lower tier to upper tier.

# Approach to assessing demand (Chapter 4)

- The formulae for individual services does not recognise there are fixed costs in organisations e.g. costs of elections
- Removal of 'fixed costs' from the needs assessment, which assumes a minimum amount of funding required for local authorities to provide services, disproportionately impacts smaller authorities especially when combined with the change in weightings from lower to upper tier.
- The use of Revenue Outturn data for 'control totals' (the scale of national expenditure on service areas) will have a negative impact for district councils share of relative needs, because they will be driven by changes in the pattern of actual expenditure.
- Authorities that have found solutions to live within budget will be penalised and those that have overspent or funded services through reserves will be reward through additional funding, rather than operating within strict budgetary controls.

# Approach to assessing demand (Chapter 4)

Foundation Formula overestimates population nationally:

- Density removed – if you have two areas, one with 2 towns and another with 3 but similar total populations, then the area with 2 towns is more likely to need 1.5 times the number of leisure centres etc.
- The new Accessibility adjustment and Remoteness adjustment have relatively small weighting.
- Daytime population of an authority – overestimating the total population – should be net commuters as there must be out commuters and day/night leavers.

# Other resource adjustments (Chapter 6)

## Collection Rate

- A standard 100% collection rate to be applied – unrealistic in practice.
- The average collection rate is around 95.88%.
- The actual collection rate would reduce the scale of equalisation.

## Assumed national council tax

- Some councils will be less than average and should be able to increase to the average to ensure they have the minimum level of revenue funding for their need.
- Parish Precepts must be excluded from the Council Tax calculation
- Councils should not be impacted by prior administration decisions, especially if the administration has changed.
- Councils should have freedom and democratic accountability to change Council Tax to the level of service desired by the administration.

# Business Rates Retention (Chapter 7)

- Safety net should be set at 100%
- Loss of pooling benefit from reset will reduce income further and increase risk to district whilst safety net is at 92.5%
- If further resets coincide with revaluations and capital investment is required to release growth, this stops the business case being viable.

# Transitional Arrangements (Chapter 9)

- The full reset penalises many councils that have worked hard to promote local growth. It will take out a significant chunk of funding and reliance on transitional protection or reserves.
- Transitional protection is essential but phasing over three years is not sustainable.
- A 0% funding floor should apply to all local authorities
- Councils should not be forced to run down unallocated reserves to cushion the impact of funding reform. It ignores the other risks that Councils face i.e., market risk, interest rate risk, costs of transformation etc.



# Sales, Fees and Charges (Chapter 11)

- Local Government should be given the opportunity to sets its own fees and charges and Councillors should be held to account at the ballot box.
- The approach to reforming fees and charges is very timid and slow. Councils should have freedoms to do this now and be trusted to implement fairly. This could make a tangible difference.

# Equalities Impacts (Chapter 13)

There is particular concern related to councils at or below the 'funding floor' - in that they may be forced to take decisions that may have a detrimental impact on those with a protected characteristic due to having more limited resources available, and therefore no feasible alternative option in some cases.