

COUNCIL BUSINESS COMMITTEE

FAIR FUNDING 2.0 CONSULTATION

31 July 2025

Report of Chief Finance Officer

PURPOSE OF REPORT

To advise Members of the Government's consultation to proposed significant changes to the grant funding system for English local government

This report is public.

RECOMMENDATIONS

- (1) That the subject to final review by the s151 officer and Monitoring Officer the District Council's Network's response to the Governments consultation, is submitted as a formal response from Lancaster City Council.

1.0 Introduction

- 1.1 On 20 June 2025, the Government published a consultation titled [The Fair Funding Review 2.0](#). This consultation proposed significant changes to the grant funding system for English local government. These are expected to take effect on 1 April 2026, for the 2026/27 financial year.

2.0 Consultation Details

- 2.1 MHCLG has published its final consultation on fundamental changes to the local government funding model: The Fair Funding Review 2.0. The 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,

- 2.2 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.
- 2.3 The Government has confirmed that income from the Extended Producer Responsibility (EPR) scheme for packaging producers will continue to be additional to core funding for waste collection authorities for the whole of the Spending Review (SR) period 2026-27 to 2028-29. This will be a significant income stream for districts. It will help cushion the impact of funding reform provided EPR income is not ringfenced.
- 2.3 The consultation does not propose any changes to council tax funding. The Council Tax referendum threshold will continue to be 2.99% or £5 (whichever is greater) for district councils. Social care authorities will continue to be able to raise an additional 2% precept.
- 2.4 MHCLG has also published a consultation on changes to the administration of council tax. It includes a proposal to shift to 12 monthly payments by default. This is likely to have material cashflow implications for all billing authorities. We do not cover the council tax consultation in this briefing.

3.0 Response to Consultation

- 3.1 The consultation is open to all Council's and as a result various organisations and networks have undertaken analysis of the proposed changes across the sector and developed a detailed response to the consultation.
- 3.2 As a District Council we are one of 164 members of the District Council's Network (DCN). Given the technical nature of the proposals the DCN is able to provide a more considered response to MHCLG. A briefing note responding to the consultation is provided at **Appendix 1** of this report for reference, with the DCN's final response expected ahead of the 15th August 2025 deadline
- 3.3 As the leading representative of the sector the DCN has a louder voice and can give a more effective influence on the Government than an individual submission. The s151 Officer has reviewed the briefing and agrees with the commentary provided and subject to review of the final response by s151 Officer and Monitoring Officer requests submission as a formal response from Lancaster City Council.

4.0 Options and Options Analysis (including risk assessment)

	Option 1	Option 2	Option 3
	To formally respond to the consultation with the DCN's comments	To formally respond to the consultation as an individual council.	To provide no response to the consultation
Advantages	The views of the Council will be considered by the Government when the policy details are formulated.	The views of the Council will be considered by the Government when the policy details are formulated.	No advantages
Disadvantages	While the Council may submit comments, they may not result in the issues raised being reflected in the final policy.	While the Council may submit individual comments, they may not result in the issues raised being reflected in the final policy.	That the views/ opinions of the Council will not be considered and future opportunities to feed into the process will be lost.
Risks	The Fair Funding Review 2.0 Consultation policy	The Fair Funding Review 2.0 Consultation policy	That the views/ opinions of the Council will not be

	may not be revised to reflect the views of the Council	may not be revised to reflect the views of the Council	taken into account and future opportunities to feed into the process will be lost.
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5.0 Officer Preferred Option (and comments)

- 5.1 Option 1 is the preferred Officer opinion. This option ensures that Lancaster City Council provides its views and will be able to make further comments should revisions and further consultation be carried out.

6.0 Conclusion

- 6.1 That subject to Members consideration and final review of the DCN response by s151 Officer and Monitoring Officer it is submitted as a formal response from Lancaster City Council.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

Responding to the consultation is the Council's opportunity to ensure that appropriate considerations are taken into account in the development of the.

LEGAL IMPLICATIONS

None arising from this report

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces

There are no other resource implications arising from this report

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has authored this report

Whilst there are no financial implications arising from this report the implication of the Funding Review will have a significant impact on the Council's finances.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has no further comments to add

BACKGROUND PAPERS

[The Fair Funding Review 2.0](#)

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