

Report to Leader

Subject: Response to Ministry of Housing, Communities & Local Government on the Fair Funding Review 2.0

Date: 15th August 2025

Author: Scott Anderson

Wards Affected: ALL

Purpose

To gain Portfolio Holder endorsement of Gedling Borough Council's response as attached in **Appendix 1** to the government's funding reform consultation: the Fair Funding Review 2.0. The consultation response is required to be submitted by 15th August 2025.

Key Decision

This is not a key decision.

Recommendation(s)

THAT:

- 1) The Leader acting as Portfolio Holder approves the Council's response to the consultation: the Fair Funding Review 2.0**

1	Background
1.1	<p>The last time that funding was allocated to local authorities using an updated set of funding formulae that sought to account for local authority differences in demand, costs and council tax raising ability was in 2013/14.</p> <p>The failure to update the formulae since then, and the subsequent mismatch between funding and need, has manifested in unequal outcomes for people and places. The Government's up-to-date system</p>

	will use the best available evidence to consider the different needs and costs faced by councils in urban and rural areas, and the ability of individual local authorities to raise council tax.														
1.2	MHCLG have invited Council's views on 'resetting' the business rates retention system to restore the balance between rewarding business rates growth and aligning funding with need. After the consultation and once finalised, the proposed changes will be implemented over three years, beginning in 2026/27. The consultation has been open for 8 weeks and closes on 15 th August 2025.														
1.3	It is recognised that there is a balance to strike between directing funding where it is most needed and allowing authorities time to plan for changes. That is why the consultation invites views on a package of transitional arrangements to enable councils to deliver service transformation and efficiencies.														
1.4	The MHCLG aims to simplify the system with multi-year settlements and by reducing the number of small grants by consolidating into larger pots, reducing bureaucracy, and competitive bidding. This will make funding more efficient, deliver better value for money for tax payers, and provide certainty to councils, turning the tide on micro-management from the centre, so that councils can spend their time and resources on services for local people.														
1.6	<p>The District Council's Network (DCN) has provided its advice on funding reform and their concerns are as follows:</p> <table border="1"> <thead> <tr> <th>Issue Area</th> <th>DCN Position / Concern</th> </tr> </thead> <tbody> <tr> <td>Overall Funding Impact</td> <td>Real-terms cuts for most districts; rising demand for services intensifies financial strain</td> </tr> <tr> <td>Strategic Priority</td> <td>Councils must be properly funded to deliver frontline, place-based, and preventative services</td> </tr> <tr> <td>Growth Penalty</td> <td>Funding model penalises councils that have driven housing and economic growth</td> </tr> <tr> <td>Allocation Clarity</td> <td>Lack of exemplifications for individual councils hinders budget planning for 2026/27</td> </tr> <tr> <td>Transitional Protection</td> <td>Up to 41 districts may receive weaker support; DCN calls for universal 0% cash funding floor</td> </tr> <tr> <td>Business Rates Reset</td> <td>Full reset could cost districts £200m; 10 councils may lose >20% of spending power. DCN recommends a phased reset over five years and redistribution based on historic growth</td> </tr> </tbody> </table>	Issue Area	DCN Position / Concern	Overall Funding Impact	Real-terms cuts for most districts; rising demand for services intensifies financial strain	Strategic Priority	Councils must be properly funded to deliver frontline, place-based, and preventative services	Growth Penalty	Funding model penalises councils that have driven housing and economic growth	Allocation Clarity	Lack of exemplifications for individual councils hinders budget planning for 2026/27	Transitional Protection	Up to 41 districts may receive weaker support; DCN calls for universal 0% cash funding floor	Business Rates Reset	Full reset could cost districts £200m; 10 councils may lose >20% of spending power. DCN recommends a phased reset over five years and redistribution based on historic growth
Issue Area	DCN Position / Concern														
Overall Funding Impact	Real-terms cuts for most districts; rising demand for services intensifies financial strain														
Strategic Priority	Councils must be properly funded to deliver frontline, place-based, and preventative services														
Growth Penalty	Funding model penalises councils that have driven housing and economic growth														
Allocation Clarity	Lack of exemplifications for individual councils hinders budget planning for 2026/27														
Transitional Protection	Up to 41 districts may receive weaker support; DCN calls for universal 0% cash funding floor														
Business Rates Reset	Full reset could cost districts £200m; 10 councils may lose >20% of spending power. DCN recommends a phased reset over five years and redistribution based on historic growth														

	New Homes Bonus	Its removal disincentivises housebuilding; districts delivered 45% of new homes in 2023/24
	Temporary Accommodation (TA)	TA costs rose 228% in five years; proposed formula may underfund districts by up to 8%
	Flood Defence & Coastal Protection	Abolishing dedicated formulas risks underfunding vulnerable councils; calls for sustainable support
	New Burdens Funding	Rolling into main settlement risks non-reimbursement; weekly food waste funding should remain separate
	Financial Flexibilities	DCN urges greater freedom to raise local income, reform council tax rules, and set fees/charges
2	Proposal	
2.1	It is proposed that the Council responds to the government's Fair Funding Review 2.0 with responses to the questions as set out in Appendix 1 .	
2.2	The responses have been produced using advice from District Councils Network (DCN) and LG Futures in conjunction with officers' views.	
3	Alternative Options	
3.1	The alternative option is for Gedling Borough Council not to respond to the consultation. There is no requirement for the Council to respond to this consultation but doing so will inform the Government on officers' views.	
4	Financial Implications	
4.1	The Council has engaged LG Futures to undertake financial modelling work on the proposals contained within the consultation. The outcome from this work has provided insight to officers in how to respond to the consultation. The modelling suggests that Gedling's baseline funding will remain fairly static from £6.62m in 2026/27 to £6.72m in 2028/29.	
4.2	There were no further financial impacts other than staffing costs in producing a response to the consultation.	
5	Legal Implications	
5.1	None. This is an opportunity to comment on the Fair Funding Review 2.0, which is due to come into force 2026/27.	

6	Equalities Implications
6.1	None.
7	Carbon Reduction/Environmental Sustainability Implications
7.1	None.
8	Appendices
8.1	Appendix 1 – Gedling’s proposed consultation response to the Fair Funding Review 2.0
9	Background Papers
9.1	The Fair Funding Review 2.0
10	Reasons for Recommendations
10.1	To inform the Government of the Council’s perspective on Fair Funding Review 2.0

Statutory Officer approval

**Approved by: Scott Anderson
(Deputy S151)**

Date:
On behalf of the Chief Financial Officer

Approved by:
Date:
On behalf of the Monitoring Officer