

## APPENDIX B

### The Local Government Finance Settlement

#### National Context

The Local Government Finance Settlement was confirmed on 9<sup>th</sup> February 2026 and contains the long awaited outcome of the Fair Funding Review and is the first multi year settlement for nearly a decade. Funding distribution was last updated in 2013-14 (with damping frozen within funding allocations), and since then there has been an updated 4-year settlement (from 2016-17) and a series of one-year settlements.

The announcement is a 3-year settlement, providing Havering with Grant figures upto and including 2028/29. Each of these latter two years will still be subject to an annual settlement process, but any changes will be upwards, with the 3-year settlement representing a minimum level of funding. The settlement has used the 2022-based population projections and the 2025 Index of Multiple Deprivation (IMD)

The settlement contains large funding floor payments and the continuation of the Recovery Grant which combined has left a large number of authorities substantially above their funding target in 2028-29. This creates ongoing uncertainty, and unfairness, and also means that ministers have not delivered on their objective of getting every authority to their funding target over 3 years. This position has significantly penalised Havering as the money used to finance the funding floor should have been added to the overall distribution pot. This has cost Havering in excess of £5m in lost funding based on the new relative needs formula applied in the settlement

The key elements within the overall funding settlement are:

- **Council tax.** The settlement assumes that council tax will rise with the maximum uplift in Band D, and that taxbase will grow in line with the 4-year increase in taxbase. Maximum increases are 4.99% for upper-tier authorities. Taxbase growth is based on the change between the 2021-22 and 2025-26 CTR1s.
- **Fair Funding Allocation.** The Settlement includes rolled-in grants from within the current Core Spending Power (CSP) settlement, plus other rolled in grants, and the rolled-in amounts from the Business Rates Reset. In addition, there is growth from the Spending Review last summer. The new Fair Funding Allocation for 2026/27 is £33.9bn Nationally rising to £34.4bn in 2027/28 and the £34.9bn in 2028/29.
- **Rolled-in grants.** Grants worth £13.7bn from the current CSP will roll into SFA. In addition there are further grants from outside the current settlement that are rolling into SFA. These include the Temporary Accommodation element of Homelessness Prevention Grant (HPG), and various other smaller grants
- **Business Rates Retention System (BRRS).** Business rates income worth £18.770bn is rolled into SFA in 2026-27.

- **Recovery Grant.** The Government added a further £440m to the recovery grant pot in the final settlement taking the total support to £2.6bn over three years
- **Consolidated Grants.** Four new consolidated grant streams have been created to simplify funding from a range of different sources. These grants are:
  1. The Public Health Grant
  2. The Crisis Resilience Grant
  3. The Homelessness Rough Sleeping and Domestic Abuse Grant
  4. The Children and Families Grant

### Change in Grant for Havering

The settlement and fair funding review has been long awaited by Havering and provides an additional £39m of new grant by 2028/29. The grant is phased in with increases of £15.5m in 2026/27 and just over £12m for 2027/28 and 2028/29. Whilst this is welcomed it will fall far short of the resources the Council needs to match its structural deficit

The table below sets out the change in Core Spending Power for Havering for the next three years

| Core Spending Power   | 2025/26 (£M) | 2026/27 (£M) | 2027/28 (£M) | 2028/29 (£M) |
|---|--------------|--------------|--------------|--------------|
| Retained Business Rates                                       | 38.7         | 58.2         | 59.6         | 60.8         |
| Revenue Support Grant   | 2.1          | 38.8         | 57.8         | 68.7         |
| Compensation for under-indexing the business rates multiplier | 11.1         | 0.0          | 0.0          | 0.0          |
| Council tax requirement                                       | 164.4        | 173.5        | 183.2        | 193.3        |
| Local Authority Better Care Grant                             | 8.4          | 8.4          | 0.0          | 0.0          |
| New Homes Bonus   | 0.6          | 0.0          | 0.0          | 0.0          |
| Social Care Grant   | 22.0         | 0.0          | 0.0          | 0.0          |
| Market Sustainability and Improvement Fund                    | 4.4          | 0.0          | 0.0          | 0.0          |
| Employer National Insurance Contributions Grant               | 1.9          | 0.0          | 0.0          | 0.0          |
| Rolled in Grants  | 3.3          | 0.0          | 0.0          | 0.0          |
| New Childrens Grant   | 2.0          | 3.6          | 3.6          | 3.1          |
| New Homeless Prevention Grant                                 | 2.8          | 3.7          | 3.7          | 3.8          |
| <b>TOTAL CORE SPENDING POWER</b>                              | <b>261.6</b> | <b>286.3</b> | <b>307.8</b> | <b>329.7</b> |

|  |  |             |             |             |
|--|--|-------------|-------------|-------------|
| External Grant Increase                      |  | 15.6        | 11.8        | 11.7        |
| Assumed Council Tax increase                 |  | 9.1         | 9.7         | 10.2        |
| <b>TOTAL INCREASE IN CORE SPENDING POWER</b> |  | <b>24.7</b> | <b>21.5</b> | <b>21.9</b> |

### Transitional Support (Damping)

When the Fair Funding review was launched in June 2025 the Governments stated aim was to devise a new formula to apportion funds between authorities and completely move to the new formula within the 3 year spending review timeline. Subsequent ministerial decisions have resulted in a significant level of damping remaining in the system after three years

**Damping floors** have been confirmed for those authorities losing from the funding reforms as set out in the table below.

| New damping floors     | Criteria                                      | Protection   |
|------------------------|---|--|
| Recovery Grant         | Authorities receiving Recovery Grant in 25-26 | Real-terms protection (105% in 26-27, 106% in 27-28 and 107% in 28-29) |
| Guarantee              |   |  |
| Upper tier authorities | <15% above funding target                     | Cash-terms protection  |
| Upper tier authorities | >15% above funding target, low Band D         | 95% protection (i.e. -5% floor in 2026-27, 0% in following two years)  |

The cost of the funding floors will be £295m in 2026-27, £390m in 2027-28, and £550m in 2028-29. This funding is top-sliced from within the Core Spending Power quantum. This has cost Havering around £5m in lost grant based on the new relative needs formula

### Consolidated Grants

There are the four consolidated grants that will bring together a range of different grants. Most of the grant streams within these consolidated grants will remain unchanged, but there is extra funding within the Children Families and Youth grant and an inflationary increase to the Public Health Grant:

| Consolidated Grants<br>Havering                     | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m |  |
|---|---------------|---------------|---------------|--|
|   |               |               |               |  |
| Homelessness, Rough Sleeping & Domestic Abuse Grant | 3.3           | 3.5           | 3.6           |  |
| Public Health Grant                                 | 14.6          | 15.0          | 15.4          |  |
| Crisis and Resilience Fund                          | 3.1           | 3.1           | 3.3           |  |
| Children, Families and Youth Grant                  | 4.5           | 4.5           | 4.0           |  |
| <b>Total</b>  | <b>25.7</b>   | <b>26.2</b>   | <b>26.3</b>   |  |

### Footnotes

Allocations for 2027/28 and 2028/29 are indicative.

Funding for the Homelessness, Rough Sleeping and Domestic Abuse Grant and the Families First Partnership programme is already included in Core Spending Power. As such, the figures here are also represented in the Core Spending Power table and they do not represent additional funding.

#### **SEND Funding - future outlook**

An announcement on schools and SEND funding was made by the Government on the day of the Final Settlement it stated:

*We are also introducing support for local authorities' Dedicated Schools Grant (DSG) deficits in phases. The first phase will tackle historic deficits accrued up to the end of 2025-26. All local authorities with SEND deficits will be eligible in 2026-27 to receive a grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025-26, subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan.*

*We know that SEND reform will take time to fully embed and local authorities will need further support. For deficits that arise in 2026-27 and 2027-28, local authorities can expect that we will continue to take a similarly appropriate and proportionate approach to such support, though it will not be unlimited.*

The Statutory override has been confirmed to remain until March 2028 which will allow authorities to plan how the remaining 10% of the deficit will be financed.