

Government Funding Distribution

Scrutiny Board 1 February 2026



Coventry City Council

coventry.gov.uk

Government Fair Funding - Headlines

- Previous system outdated so MHCLG introducing a 'fairer funding' system
- Refreshes data & creates a 'simpler & fairer' system based on relative need
- Updated ASC formula; new formulae for Children & YP, Highways & TA
- Population and deprivation (IMD 25) also to be reflected in the new system
- Council Tax 'equalisation' to redistribute funding to LA's with greater need (lower tax bases)
- 3 Year Multi year settlement with transitional arrangements
- Outcome reflected in provisional settlement in December 25 (Final expected early Feb 26)
- Much of this is what Coventry has lobbied hard for as we expected to benefit
- Coventry therefore responded positively to the Government consultation in Summer 2025

Council Tax Equalisation

- A significant change of the Fair funding reform proposals, redistributing resources to those deemed to need due to higher Council Tax levels
- All LG funding available nationally will be notionally distributed to authorities based on the updated (relative) need shares.
- The national average Council Tax is then deducted from each LA's notional 'share', with LA's then allowed to keep actual Council Tax raised
- This means that those LA's who have been able to keep Council Tax low (primarily inner London) will have reduced funding
- The system redistributes this and benefits LA's who have historically needed to raise Council Tax and whose levels are at/above the National average

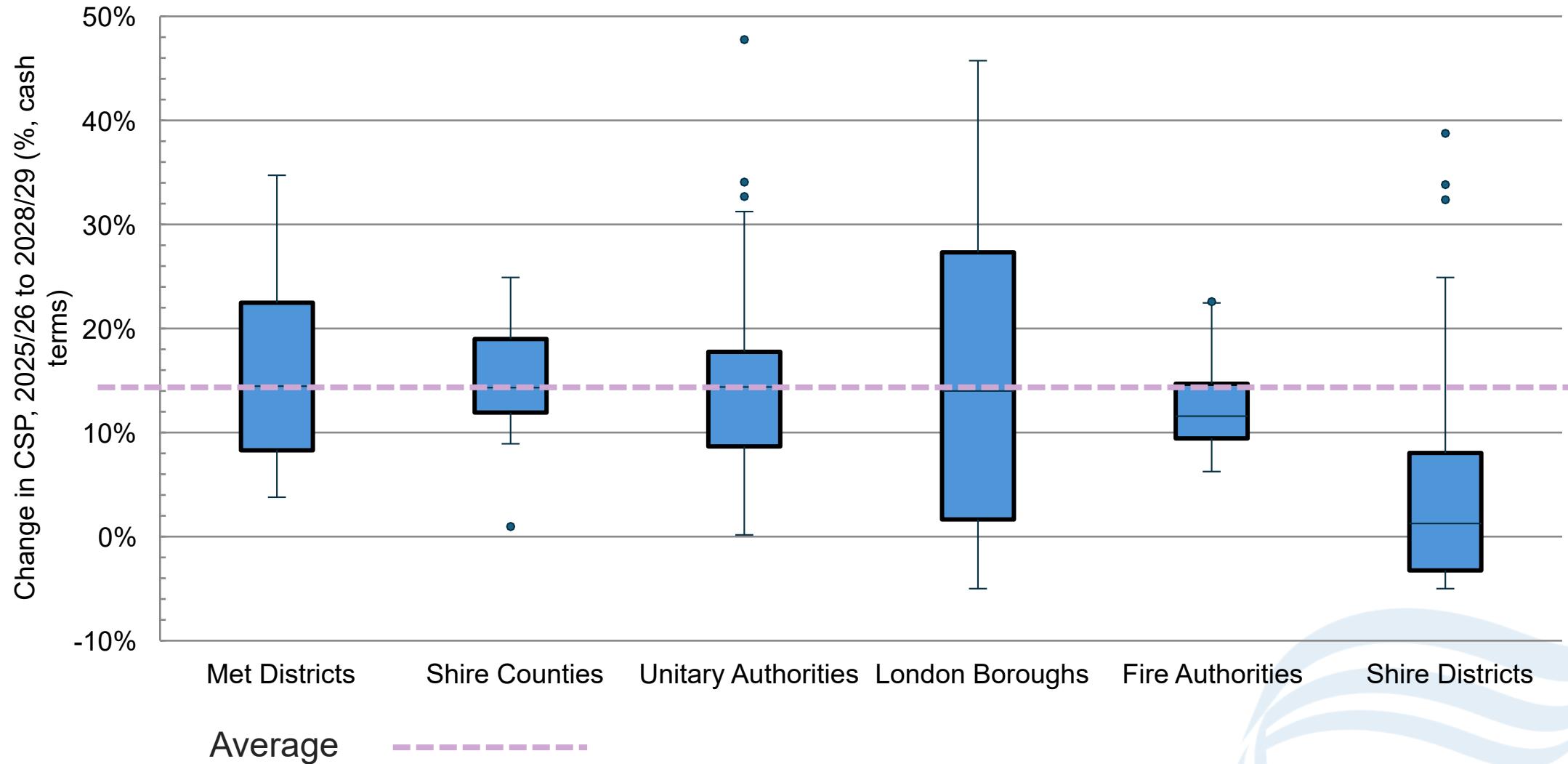
Core Spending Power

National Core Spending Power (CSP) - Rebased	25/26	26/27	27/28	28/29
	£m	£m	£m	£m
Fair Funding Allocation (incl Grants rolled in)	33,018.7	33,961.0	34,294.1	34,788.8
Council Tax	38,655.6	41,208.0	44,011.9	46,999.5
Homelessness, Rough Sleeping & DA	725.1	794.3	816.2	835.3
Families First	523.1	853.1	853.1	729.1
Transitional Protection	-	146.9	352.8	567.5
Recovery Grant	600.0	600.0	600.0	600.0
Recovery Grant Guarantee	-	148.8	113.3	98.6
Total	73,522.5	77,712.1	81,041.4	84,618.8
National CSP Increase (%)	7.4%	5.7%	4.3%	4.4%
Cumulative		5.7%	10.2%	15.1%

Core Spending Power

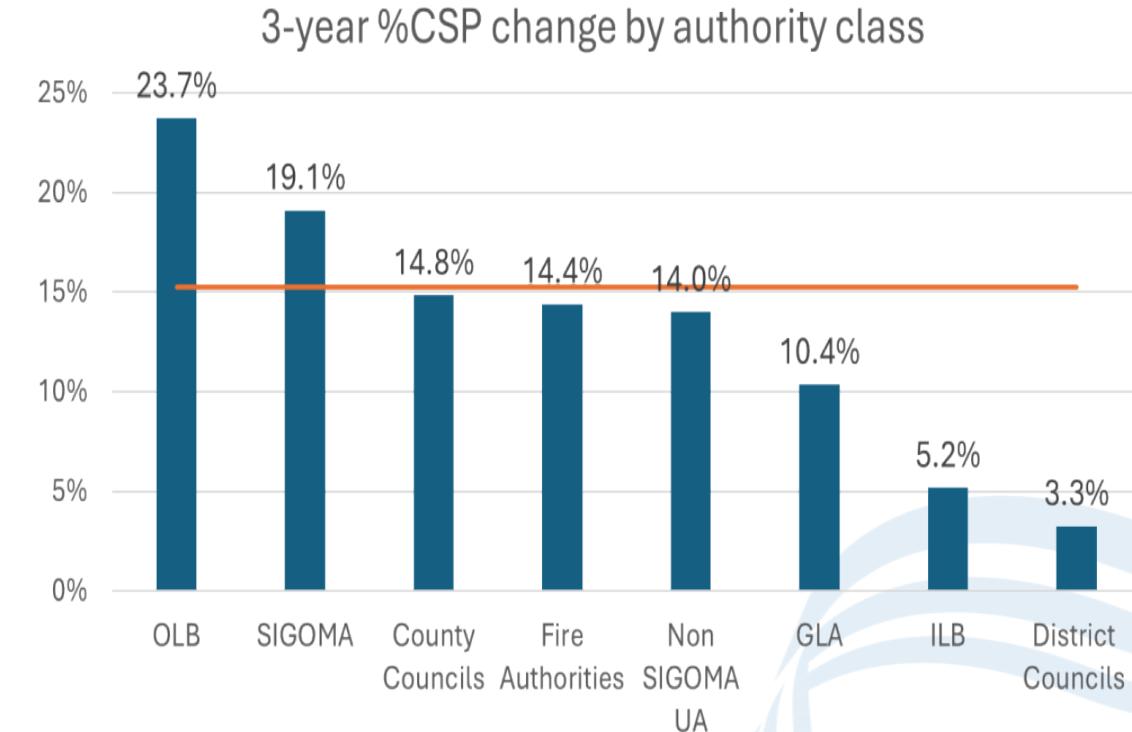
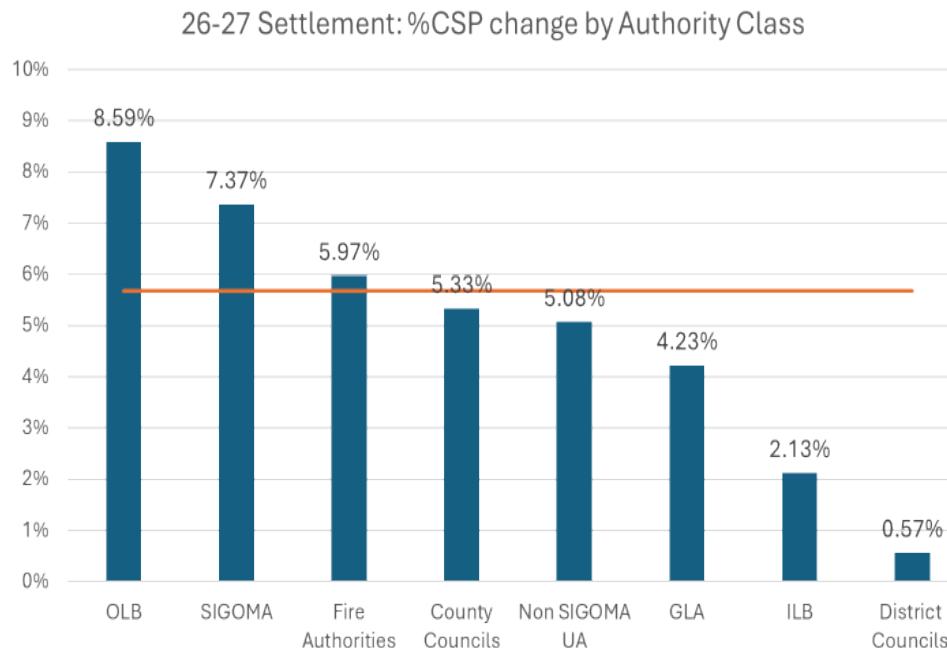
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Coventry Core Spending Power (CSP) - Rebased	25/26	26/27	27/28	28/29
	£m	£m	£m	£m
Fair Funding Allocation (incl Grants rolled in)	212.1	246.5	278.5	310.8
Council Tax	189.4	203.2	217.9	233.7
Homelessness, Rough Sleeping & DA	5.0	5.1	5.3	5.4
Families First	4.1	7.7	7.7	6.5
Transitional Protection	-	-	-	-
Recovery Grant	9.6	9.6	9.6	9.6
Recovery Grant Guarantee	-	-	-	-
Total	420.2	472.1	519.0	566.0
National CSP Increase (%)		12.3%	9.9%	9.1%
Cumulative		12.4%	23.5%	34.7%

National Change in (3 year) CSP by authority type



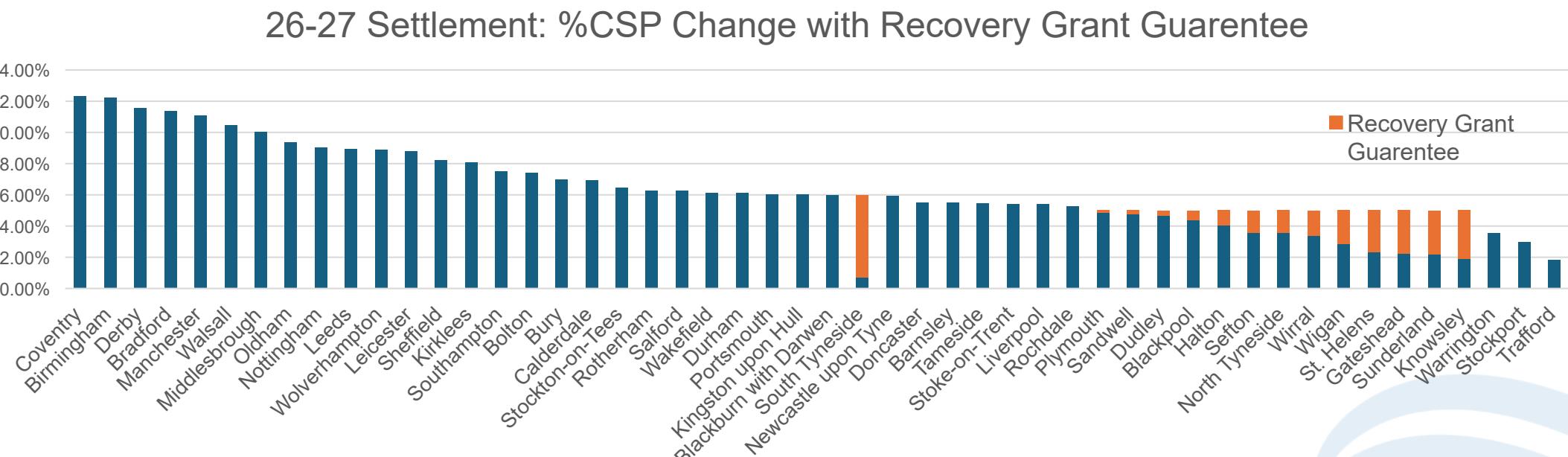
Settlement – 26/27 and 3 Year position (National vs SIGOMA LA's)

- SIGOMA and Outer London benefit from the rebase in formula
- This primarily reflects deprivation levels used in the foundation and Children's formulae
- Subsequent year increases reflect the unwinding of transitional arrangements
- Assumes Council Tax is raised in each year by 5% (maximum) by all LA's



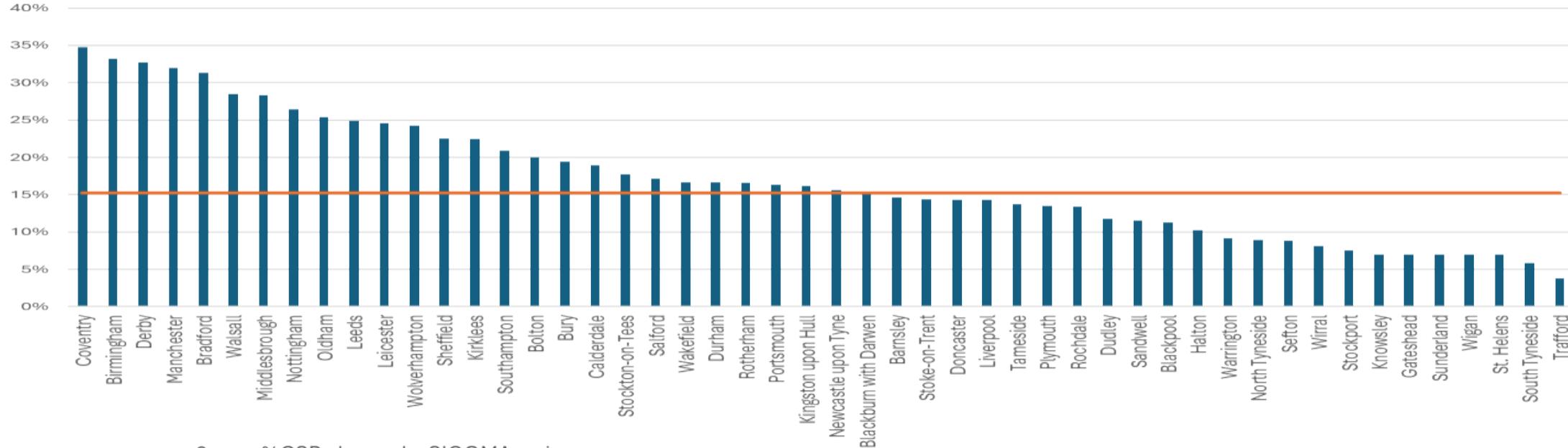
CSP – SIGOMA Authorities 26/27

- Coventry benefits by a 12.3% CSP increase in 26/27 (including Council Tax & Business rates)
- This compared to 7.37% for all SIGOMA and 5.7% nationally
- Coventry benefits by a 34.7% increase by 28/29 (next slide)
- This compared to 19.1% for all SIGOMA and 15.1% nationally
- Coventry has the largest % CSP increase of SIGOMA LA's in 26/27 (12th nationally), and by 28/29 (11th nationally)

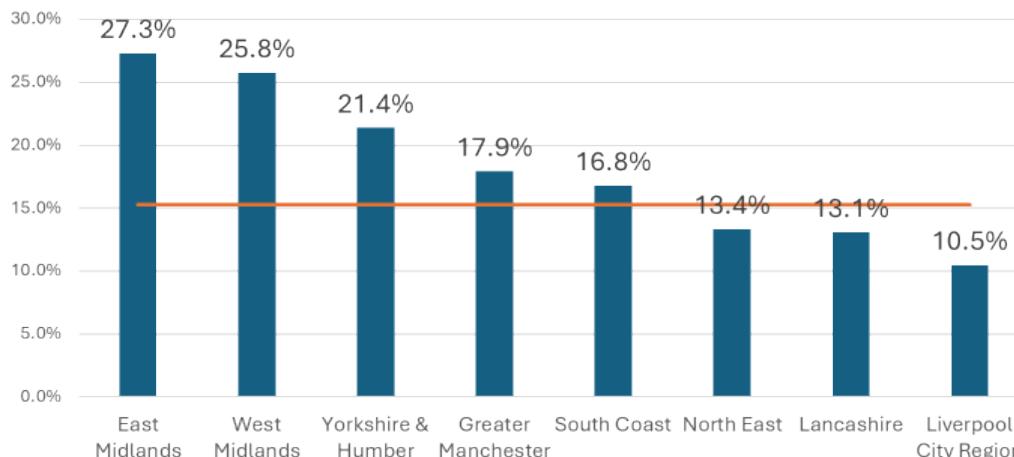


Settlement – 3 year Core Spending Power

3-year % CSP change for SIGOMA members



3-year %CSP change by SIGOMA region



East & West Midland (SIGOMA) authorities benefit most significantly

Summary

- Fair funding introduction is positive for Coventry in terms of Financial resources
- Core Spending Power still assumes all LA's increase Council Tax by 5% (3% + 2%) every year
- Settlement provides an indicative multi year settlement, essential for medium term planning
- The full benefit of FF will occur in 28/29, once the transitional period finishes
- Coventry's resources will therefore increase YoY to reflect the transitional arrangements
- By 28/29 Coventry will be significantly closer to the national average CSP
- Budget report public on 16 February 2026