

Cambridgeshire LGR funding disaggregation

Adrian Jenkins

May 2025



LGR criteria for new unitaries

- The English Devolution White Paper (18 December 2024) outlined proposals for unitary authorities in remaining 21 two-tier county areas
- Key criteria: “new unitary councils must be the right size to achieve efficiencies, improve capacity and withstand financial shocks”, and that “for most areas” this will be a minimum population of 500,000.
- But government will consider options for unitaries with lower populations, “on a case-by-case basis”, and it is assumed this means with populations of around 350,000 and above
- “Proposals should be for sensible economic areas, with an appropriate taxbase which does not create an undue advantage or disadvantage for one part of the area.”
- “Proposals should be for a sensible geography which will help to increase housing supply and meet local needs.”

Pixel approach to LGR analysis

- Government has said it wants to increase the scale of local authorities, and so a major test is going to be about scale – in this case, financial scale
- We have estimated financial scale for each of the potential unitaries in Cambridgeshire and Peterborough
- Our analysis is based on **funding** – this is complementary to but different from the separate analysis based on expenditure/ budgets
- Our analysis compares financial scale to existing single-tier councils – of which there are many different sizes. On that basis, there is a very wide scope for different sized authorities
- Separate discussion about the cost and savings associated with transition to unitaries in Cambridgeshire and Peterborough
- Our analysis gives you financial evidence to make judgements about which unitary options should be taken forward to the next stage

Assessment of population and financial scale

- We have compared a range of potential unitaries in Cambridgeshire to other existing single-tier councils
- There are 132 single-tier councils in England, of which 70 have been in existence since 1974 (London boroughs, metropolitan authorities), and 62 have been created in various waves since the late 1990s
- The government has particular concern about whether new unitaries will be sufficiently large to deliver social care services. New unitaries will want sufficient scale to be financially viable, but not to be over-exposed to these demand-led service pressures.
- We have used our modelling to:
 - Assess whether the proposed unitaries are similar to existing single-tier councils in England in financial size, both overall and for the major services.
 - Assess whether the proposed unitaries have a reasonable balance of funding and “needs”.
 - Assess whether the proposed unitaries’ sources of funding are sound and sustainable.
 - Investigate the potential for growth from local taxbases (council tax, business rates), and whether growth in these income streams can contribute to future financial sustainability.

Estimated financial resources and scale

- Estimated funding and financial resources based on 2025-26 settlement.
- Local government's current funding allocations are still based on the 2013-14 formulas – and this is the methodology that we have used to estimate relative size of funding
- Funding is likely to change in 2026-27, but we do not know which elements will change; some will remain the same.
- Pixel's model estimates the grant funding, council tax, and business rates for each of the proposed unitary authorities:
 - Council Tax income (based on the CTR1 2024-25)
 - Settlement Funding Assessment (SFA)
 - Specific grants within Core Spending Power (social care grants, New Homes Bonus, Funding Floor, ENICs grant) and outside CSP (we have only included Public Health grant; further grants could be added)
 - Business Rates Retention Scheme (BRRS) income. Above-baseline retained business rates (based on the 2025-26 NNDR1)
- The model shows the relative sizes (based on **Relative Needs Formulas, RNFs**) of the key services, including children's social care, adult social care, and other universal services
- **RNFs** provide a proxy for the relative size of these services based on a range of indicators. These RNFs are currently used to distribute funding to local authorities

Financial assessment – funding or expenditure?

- Separately, Cambridgeshire authorities are estimating the financial size of potential unitaries **based on actual expenditure**
- In overall terms, expenditure and funding will align because local authorities have to set balanced budgets
- But in practice there might be differences in the allocation of spending and funding (both overall, and for individual services)
- It will be up to the councils themselves to decide how they use their resources (likely to be different from their predecessor authorities)

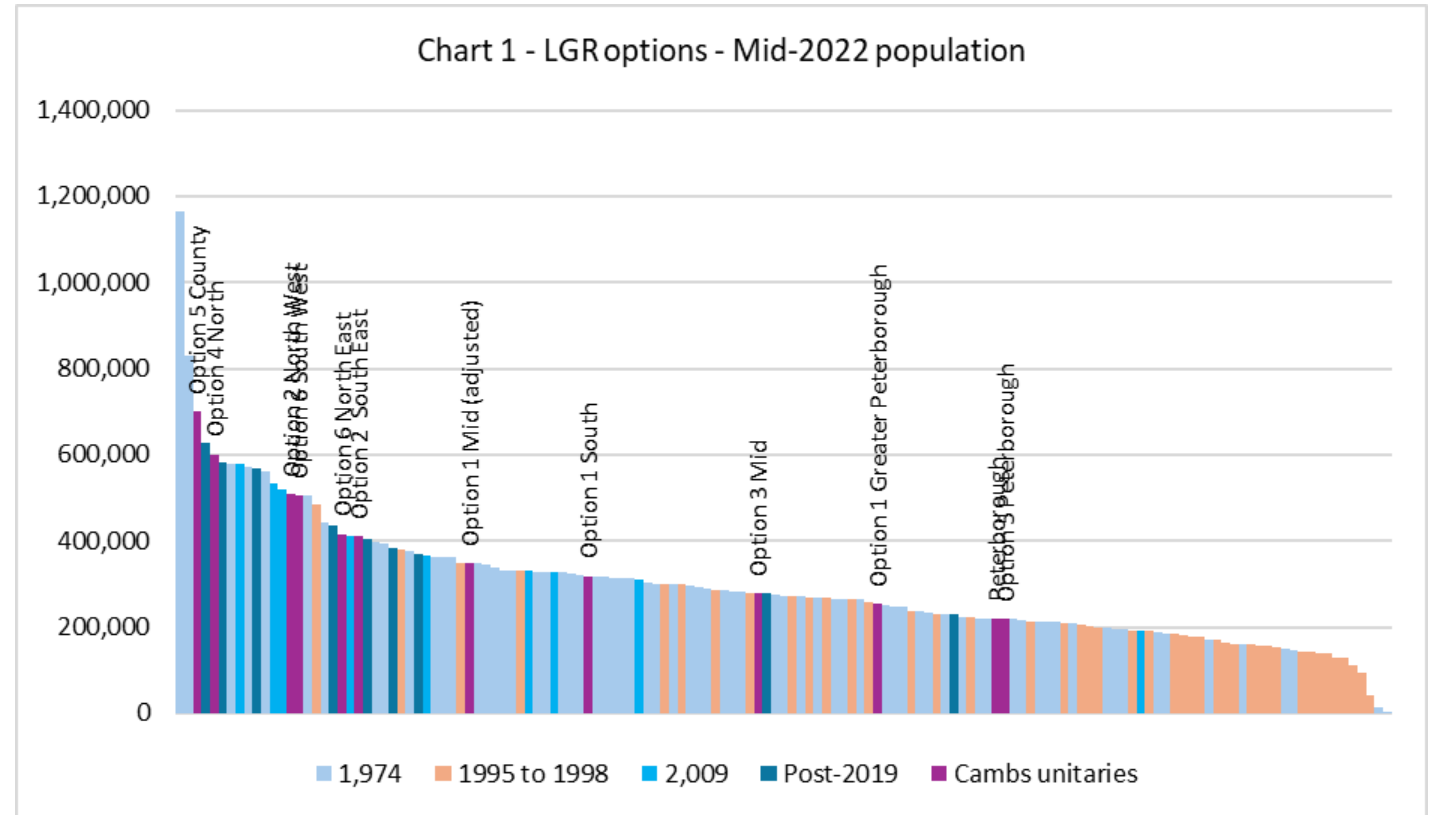
Cambridgeshire proposals

Page 7

LGR scenario	Unitary name	Constituent authorities	Population
Option 1	South	South Cambs/Cambridge City	318,504
	Mid (adjusted)	Hunts/Fenland/East (adj)	347,562
	Peterborough (adjusted)	Peterborough (adj)	253,016
Option 2	South East	East/South Cambs/Cambridge City	409,970
	North West	Hunts/Fenland/Peterborough	509,112
Option 3	South	South Cambs/Cambridge City	318,504
	Mid	Hunts/ East Cambs	277,532
	North	Fenland/P'boro	323,046
Option 4	South	South Cambs/Cambridge City	318,504
	North	East Cambs/Fenland/Hunts/P'Boro	600,578
Option 5	County	Cambs County Unitary	699,573
	Peterborough	Peterborough	219,509
Option 6	North East	East Cambs /Fenland/P'Boro	414,512
	South West	Hunts /South Cambs/Cambridge City	504,570

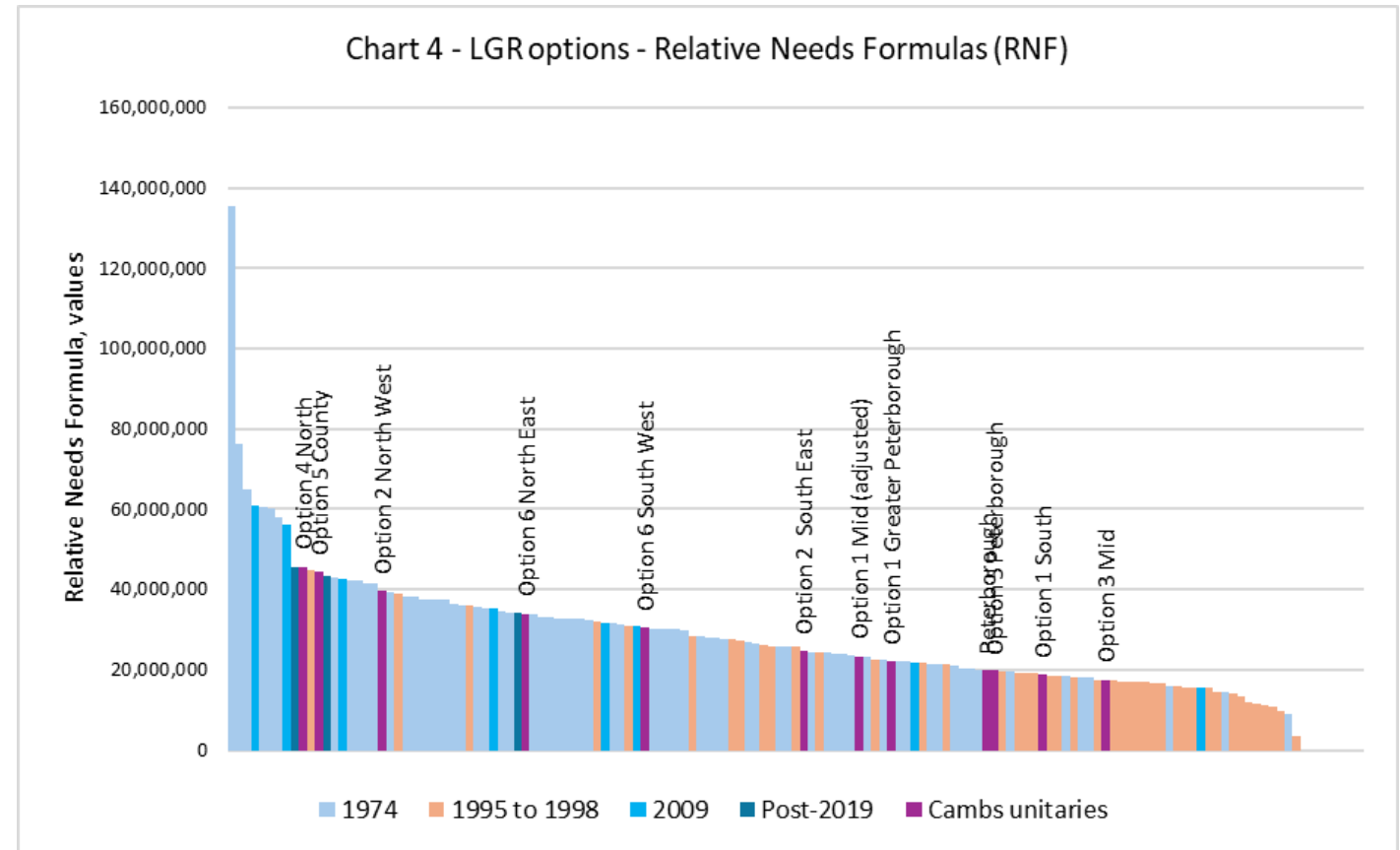
Population (mid-2022 estimates)

- Most of the unitary proposals would have large populations relative to other single-tier councils
- The two-unitary options would be in the upper quartile, and the three-unitary options would have above-average population size
- **One County unitary:** would have the third largest population of any unitary (699,000 people compared to Birmingham's 1.1m)
- **Two-unitary:** proposed unitaries would be comparatively large and in upper quartile
- **Three-unitary:** each option has at least one unitary with population below 300,000
- Options for **Peterborough** remaining on current boundaries or with adjusted boundaries would continue with population below 300,000

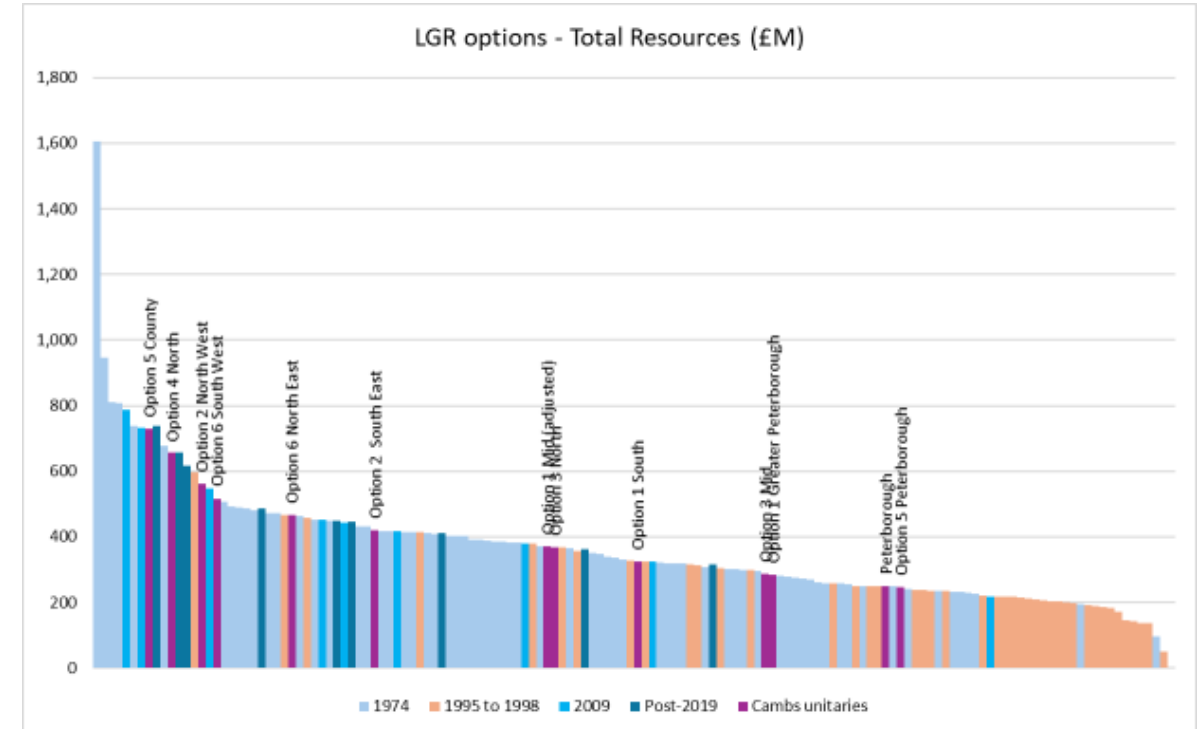


Total Relative Needs Formulas (RNF)

- Total RNF is an estimate of the aggregate “needs” in an area, and is broadly analogous to the total relative spending in an area
- There is a wider spread of Total RNF than population, reflecting the lower needs per head in Cambridgeshire compared to national averages
- Higher RNF needs per head in Peterborough
- There would be a concern about whether total funding (RNF) would be too small in scale, but a judgement is really more about individual services



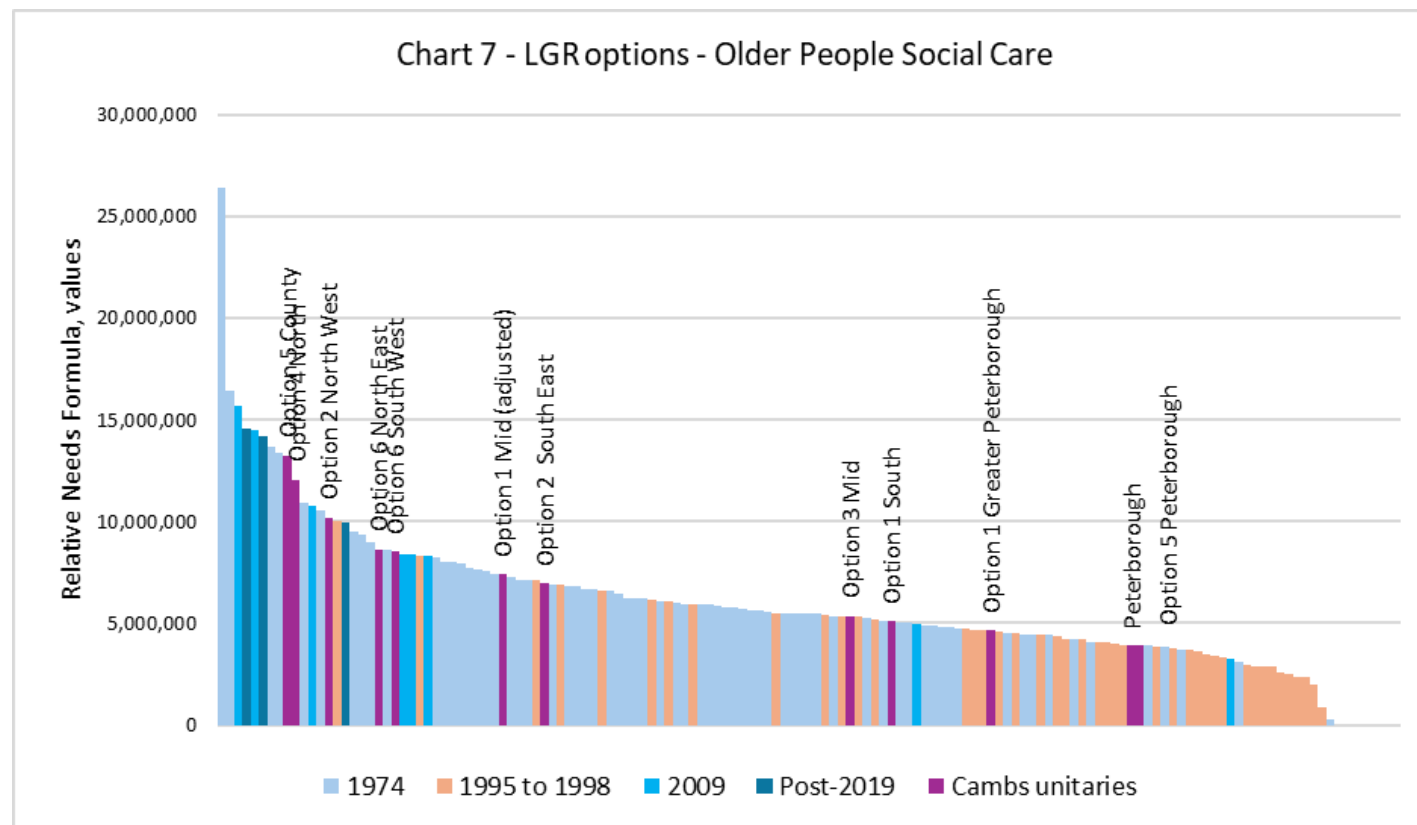
Total Resources (£M)



- Total Resources includes council tax, specific grants, retained business rates, and SFA
- There is a moderate range in the levels of total resources per head
- Total resources per head ranges from £1,023 per head (Option 6 SW and Option 2 SE) to £1,126 per head (Peterborough)

Older people's social care RNF

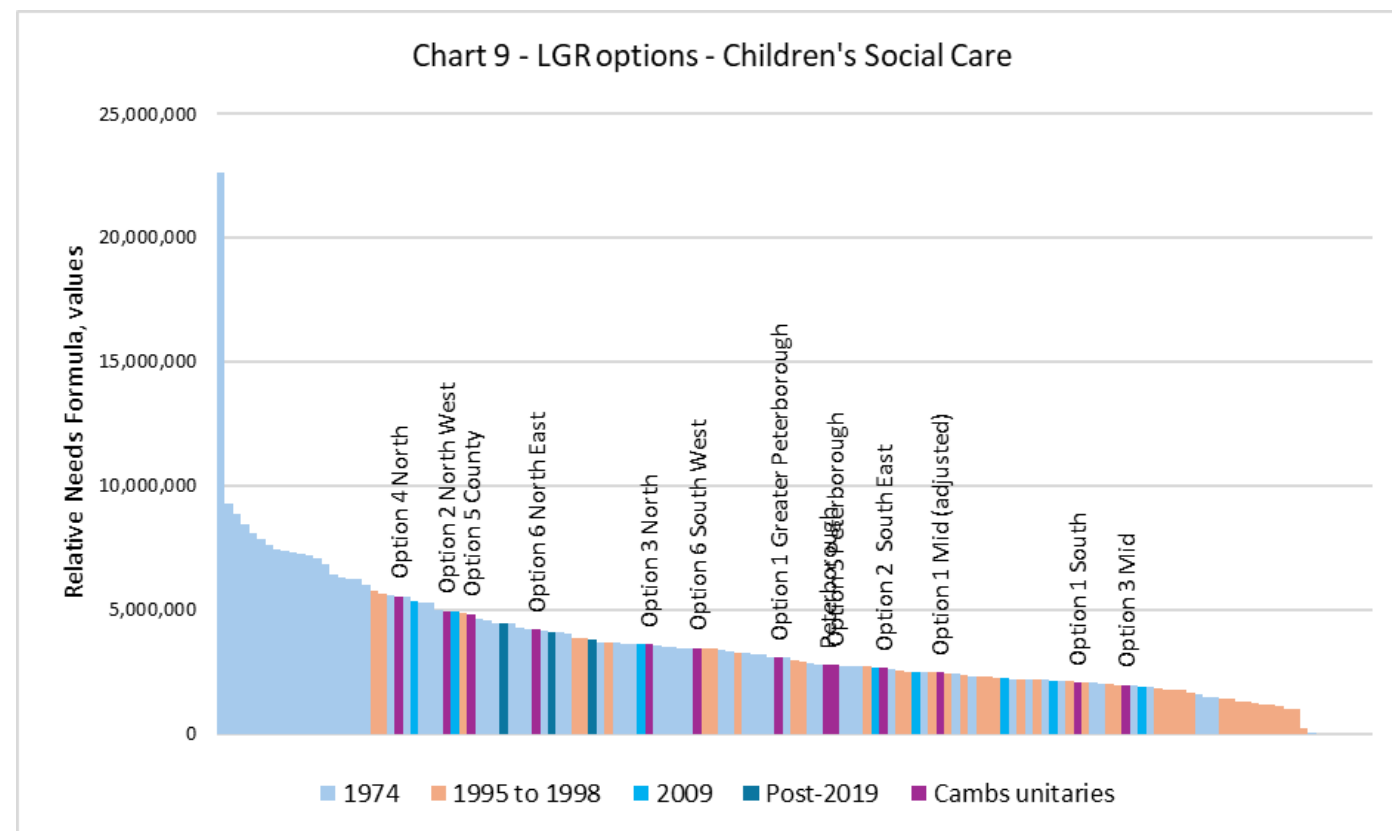
- RNF represents the relative needs for older people's services in each single-tier authority, and is broadly analogous to the relative scale of expenditure in each authority
- Scale is also a function of the demographic structure of the county (relatively large numbers of older people)



Children's social care RNF

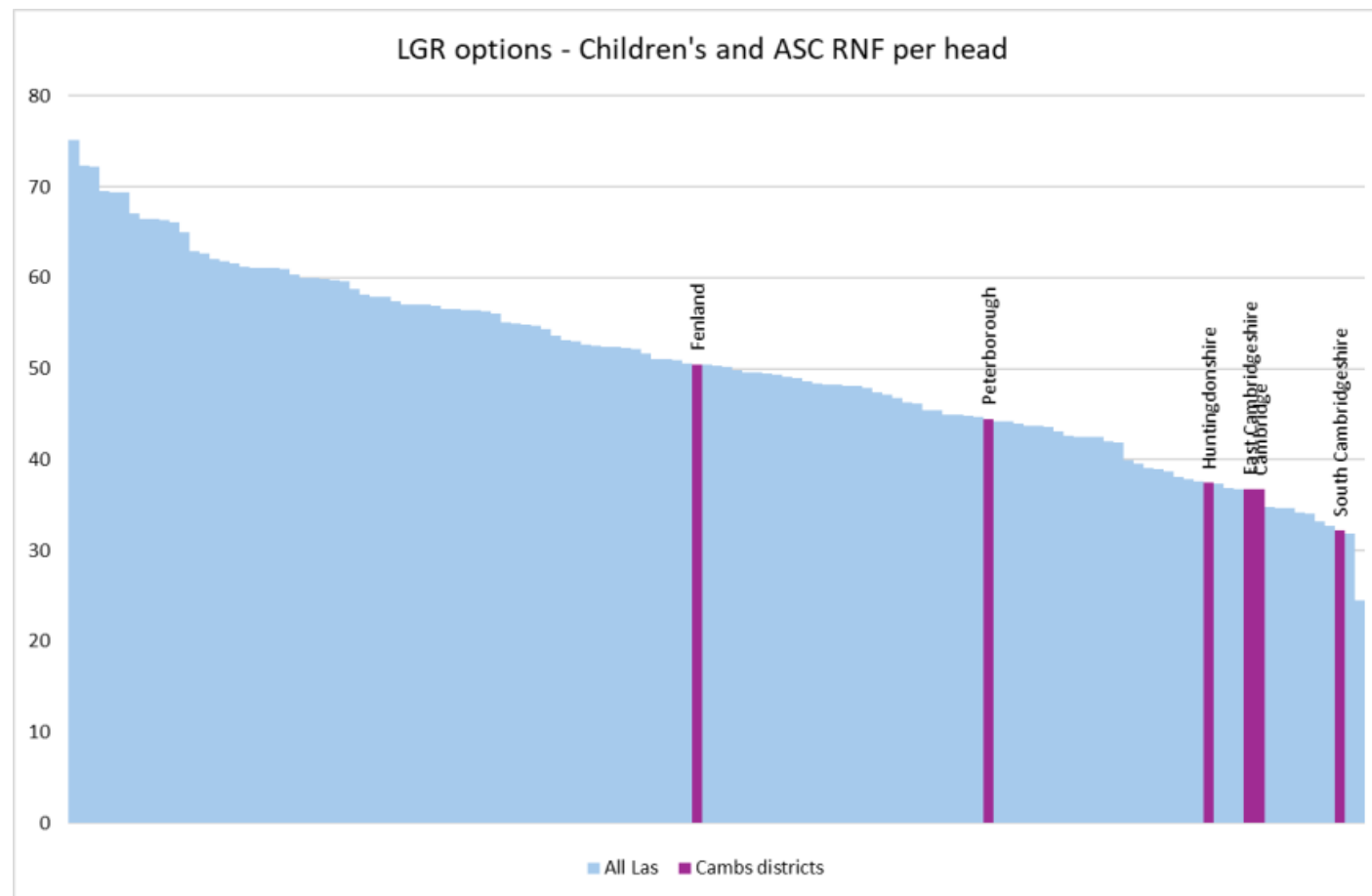
- Children's services are smaller relative to other single-tier councils, with most clustered above the average
- The smaller relative size of children's social care in Cambridgeshire reflects the demographic structure of the county (fewer children relative to the population as a whole)
- Particularly small scall in Option 1 South and Option 3 Mid

Page 12



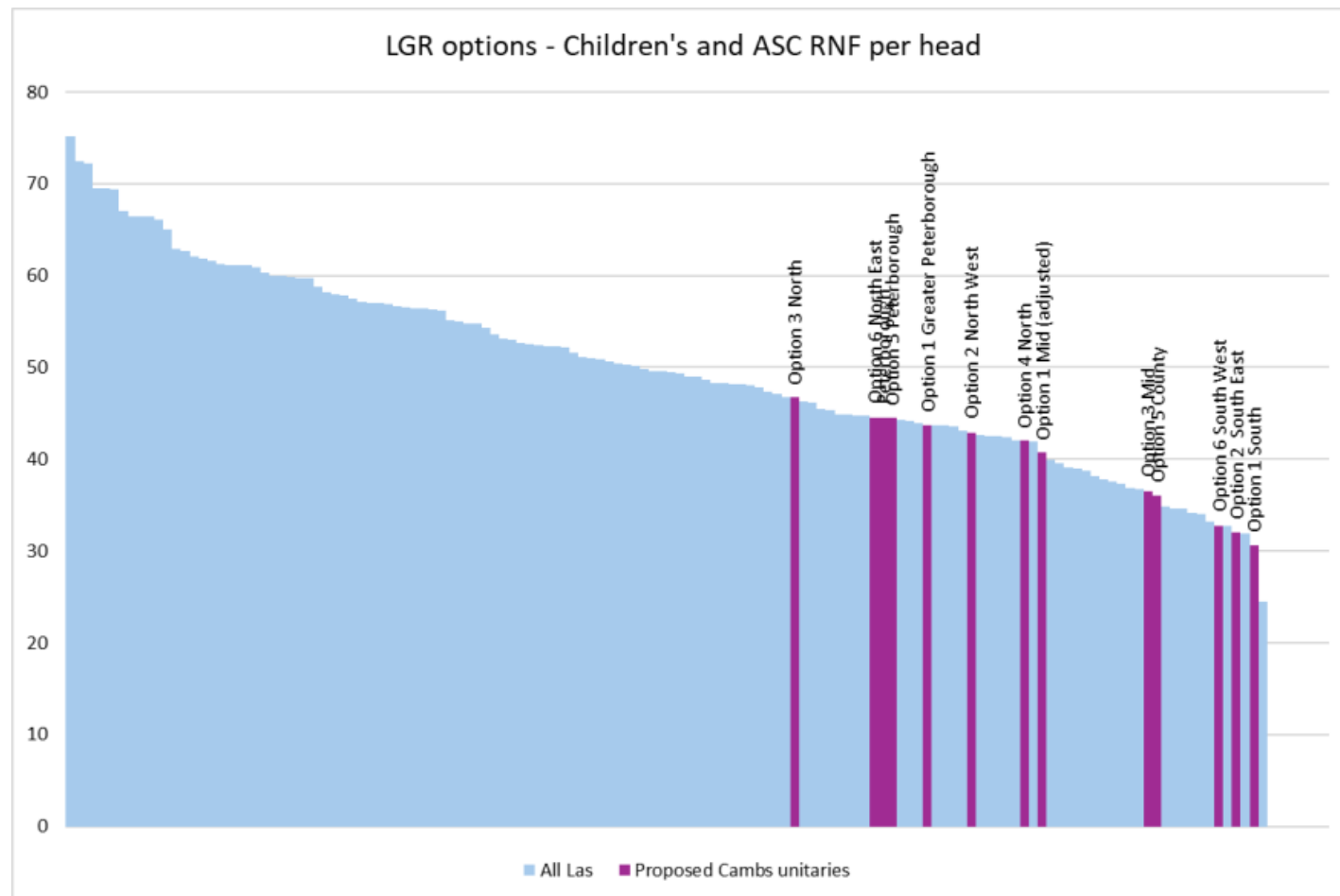
Social care RNF “needs” per head (Cambs districts)

- Average social care “needs” are relatively low in Cambridgeshire compared to other single-tier councils in England
- These are the aggregated average “needs” for children’s, older people’s and younger adults social care, divided by overall resident population
- Most districts in Cambridgeshire have social care “needs” per head that are in the lower quartile
- The exception is Fenland, where average “needs” per head are below the average for England
- Peterborough also has higher average social care “needs” per head than other parts of Cambridgeshire



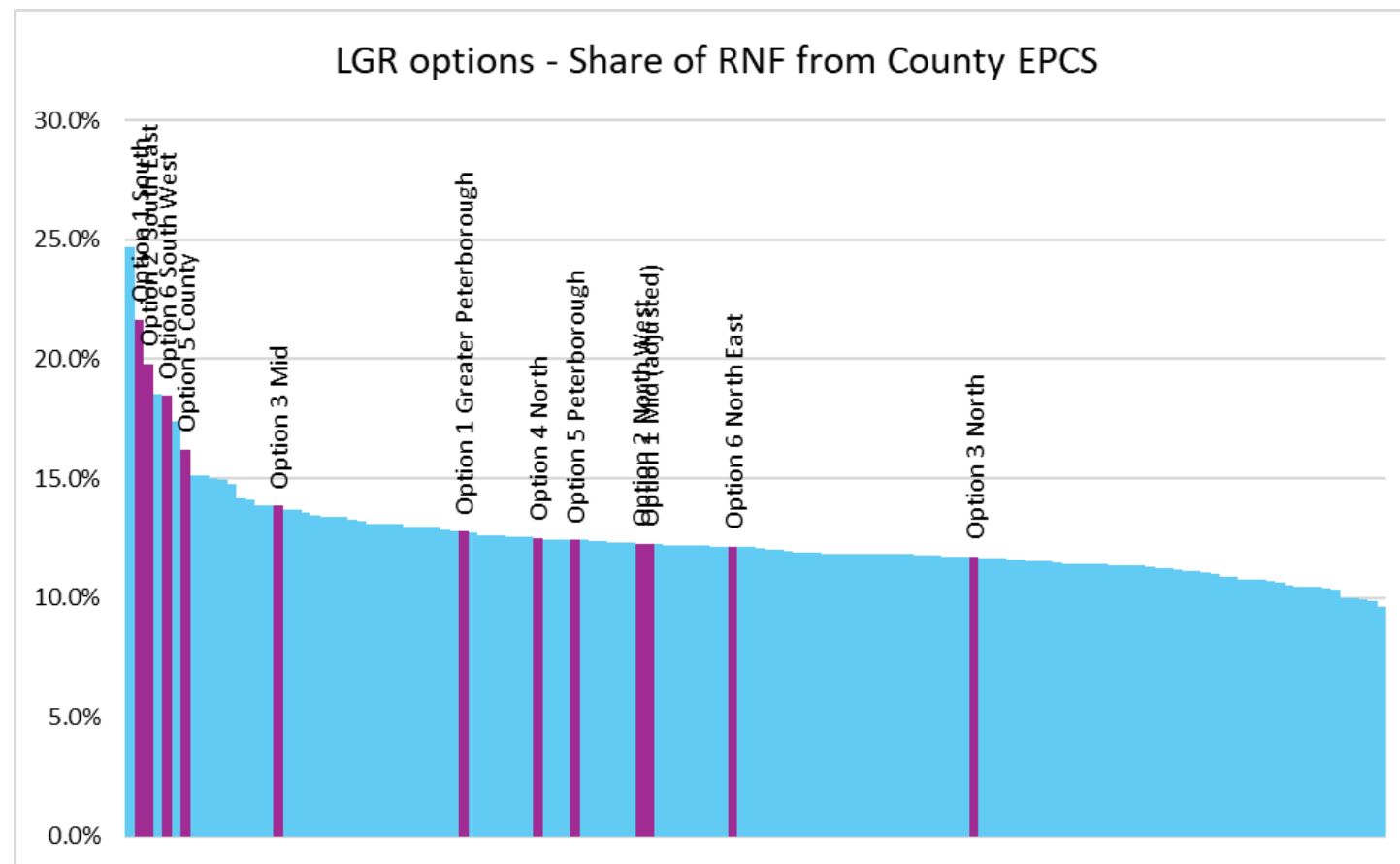
Social care RNF “needs” per head (Cambs unitaries)

- Narrower range of social care “needs” per head for the proposed unitaries in Cambridgeshire
- There is still a significant range between Option 3 North (Fenland, Peterborough) and Option 1 South (Cambridge, South Cambridgeshire)
- This suggests that the proposed unitaries will continue to have different levels of social care “needs”



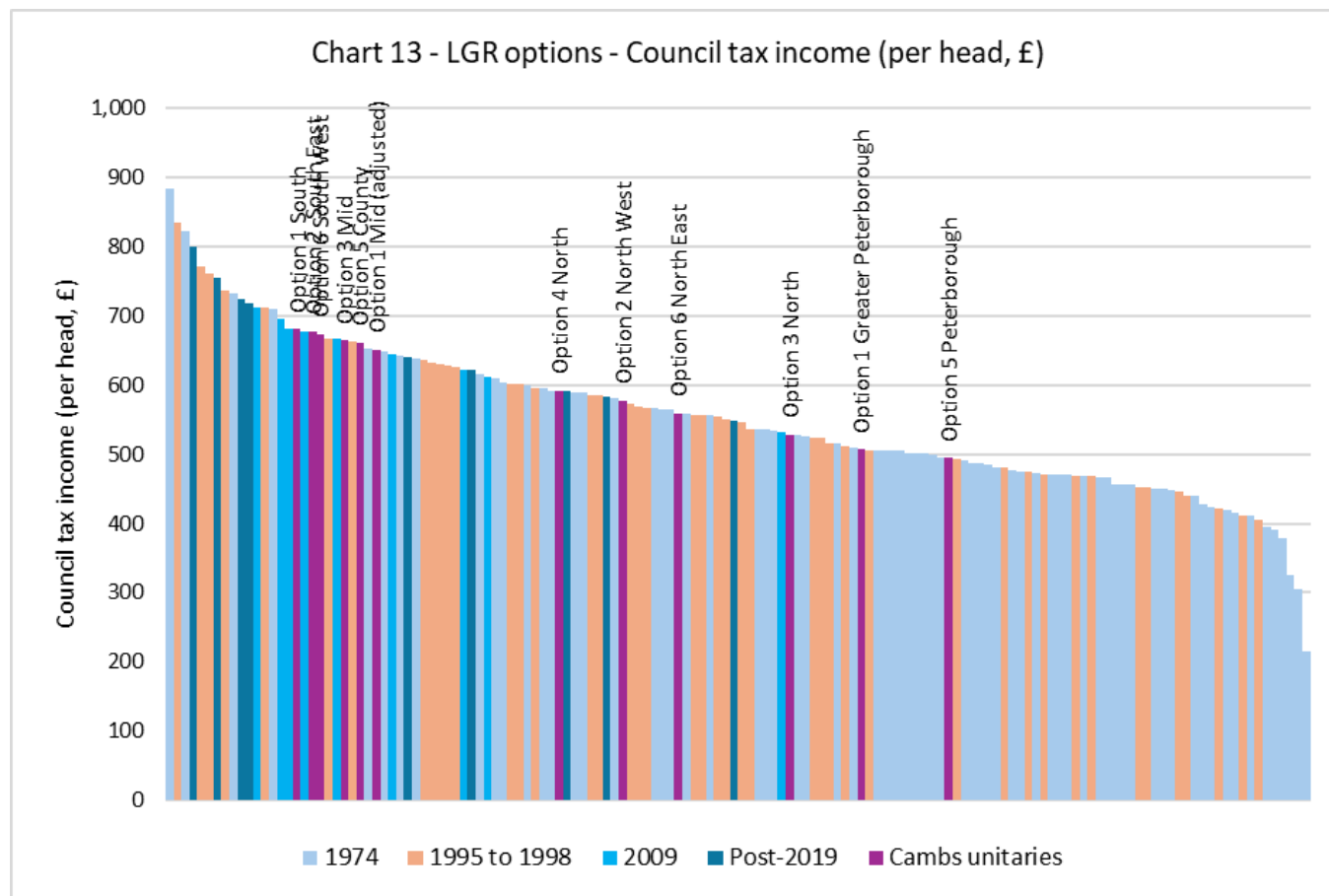
County environmental, protective and cultural services RNF

- EPCS is the main non-social care formula within Settlement Funding Assessment (SFA)
- It covers a wide range of county services, including: Waste disposal, public transport, libraries, leisure, planning and central services
- Many of the potential unitaries would have above-average size EPC services, particularly those including South Cambridgeshire/Cambridge
- Smaller share in Option 3 North, where social care “needs” represent a higher share of overall funding



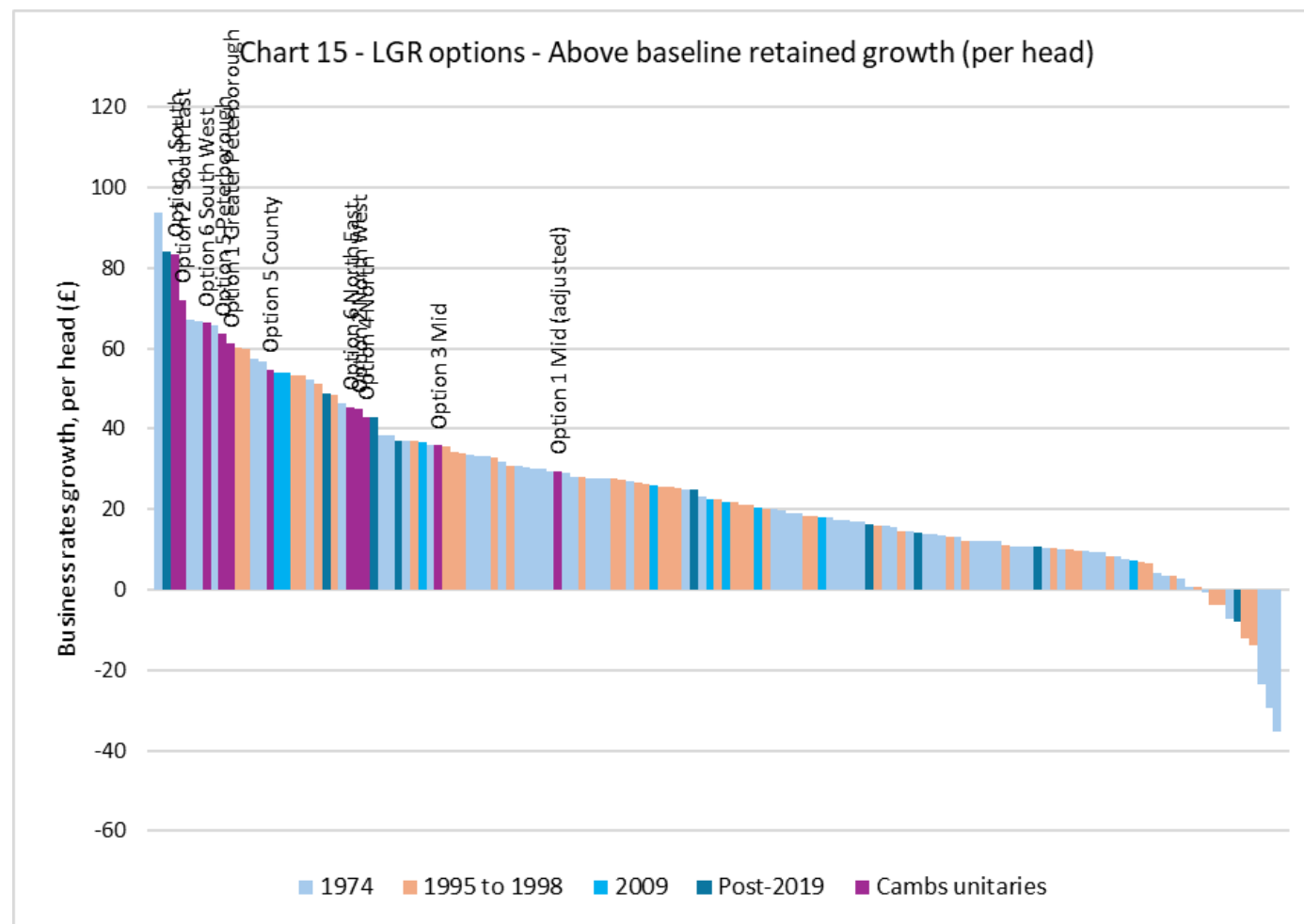
Council tax income per head

- The range of council tax income per head of population is relatively wide (and wider than we have seen in other county areas that are ostensibly similar)
- Some Cambridgeshire unitaries would all be able to generate well-above-average levels of council tax income in future years
- In most circumstances, having a strong and large council tax base is a financial strength. It makes an authority more financially self-reliant, and less exposed to changes in funding distribution
- Increases in Band D (which are to some extent, locally determined) give the authority greater scope to generate future income to fund services and investment



Business rates growth (Cambs districts)

- Business rates growth has been very strong across Cambridgeshire
- Particularly strong in those unitaries including South Cambridgeshire, Cambridge and Peterborough
- Only Option 1/ 3 Mid has BR growth outside the upper quartile
- BR growth is less important than council tax growth or council tax per head – but it does make a useful contribution to the financial viability of an authority



Overall assessment

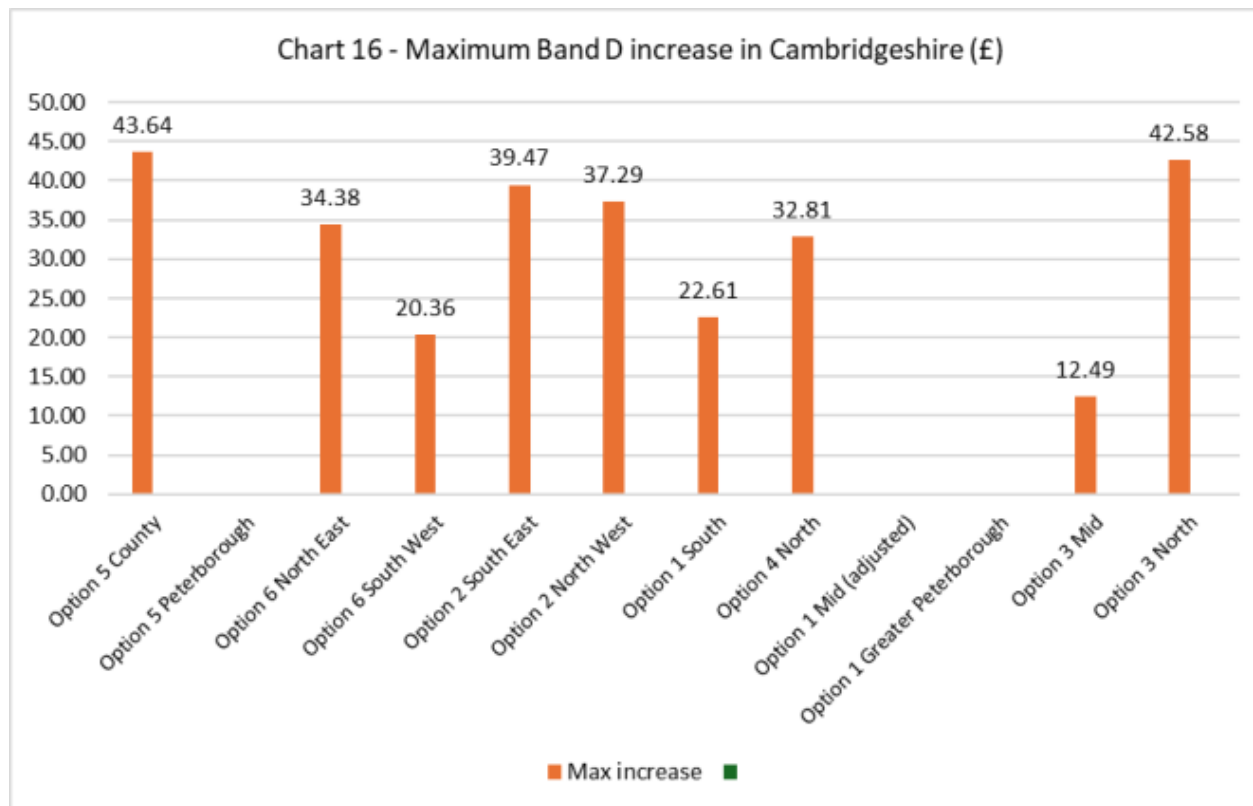
- 1 = upper quartile, 2 = second quartile, 3 = third quartile, 4 = lower quartile, compared to all the other single-tier local authorities in England
- The **two-unitary options** would have sufficient scale in all the measures (population, overall financial scale, and scale of major services)
- **Three-unitary options**: some of the unitaries within these option would have relatively small scale, particularly in children's/ YA
- **Peterborough**: options based on current boundaries are in third and fourth quartiles

Page 18

	Population	Total RNF	Total Resources	Older people RNF	Children's RNF	Younger adults RNF	EPCS
Option 1 Greater Peterborough	3	3	3	3	3	3	3
Option 1 Mid (adjusted)	2	3	2	2	3	3	3
Option 1 South	2	4	3	3	4	4	2
Option 2 South East	1	3	2	2	3	3	1
Option 2 North West	1	1	1	1	1	1	1
Option 3 Mid	3	4	3	3	4	4	3
Option 3 North	2	2	2	2	2	2	2
Option 4 North	1	1	1	1	1	1	1
Option 5 County	1	1	1	1	1	1	1
Option 5 Peterborough	3	3	4	4	3	3	3
Option 6 North East	1	2	1	1	2	2	2
Option 6 South West	1	2	1	1	2	2	1

Council tax harmonisation

- New unitaries have to harmonise their Band D council tax (initially there will be differences between the district council element across the county)
- The new unitaries can choose how quickly to harmonise Band D council tax, but it must be completed over 8 years
- The starting point for the calculation is the combined (weighted) Band D for the outgoing district and county councils
- **Our initial calculations indicate that the maximum increase in district Band Ds is £43.64 (East Cambridgeshire)**
- **This is a relatively low increase compared to other new unitaries, and suggests harmonisation could be possible in the first year**



This page is intentionally left blank