



The Rt Hon Alison McGovern, MP
Minister of State for Local Government and Homelessness
Ministry for Housing, Communities and Local Government
2 Marsham Street,
London
SW1P 4DF

24th November 2025

Dear Minister,

Impact on Rural Local Authorities of Fair Funding Review 2.0

We are the Rural Services Network, a membership body representing 475 service providers delivering services to rural communities.

Our membership includes rural local authorities, from districts, to counties and unitaries, stretching from Cornwall to Northumberland.

We are writing to express our concern that the remoteness adjustment within the Local Government Funding Formula has been removed from all local government services except the Adult Social Care formula. Reducing the weighting for the remoteness uplift within the ACA is an option that was open in the June consultation, but the decision to remove it from all but the ASC RNF is at the extreme end of the available options. We would have expected remoteness to have continued in all the ACAs, even if it was with a lower weighting.

This change has significant implications for rural and remote communities where distance, sparse populations, and limited infrastructure already pose substantial challenges to the delivery of essential public services.

County unitaries have lost out, in large part, because of the removal of remoteness (e.g. Cornwall, Northumberland, Westmorland and Furness).

Any evidence provided, was always going to be qualitative rather than quantitative, and that would leave Ministers having to make a judgement.

Rural councils face significant challenges due to their remoteness for example Westmorland and Furness Council have advertised contracts and received no tenders for the service. This is not a competitive way of providing services. Northumberland Council provides 12 waste recycling centres to ensure residents can access the service across a large geographical area compared to nearby North

Campaigning for Fairer Funding for Rural Communities

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Tyneside who only operate one centre. The large number of service centres reduces the value for money and increases the cost of delivering that service.

Rural Local Authorities face a number of challenges in delivering services to sparsely populated communities and yet changes made by your predecessor Jim McMahon meant that this year, urban councils received 40% more in Government Funded Spending Power than rural councils, leaving rural residents to pay around 20% more in council tax.

Failing to recognise the additional costs faced by rural councils will mean that difficult decisions will have to be made often resulting in the reduction or removal of discretionary services.

Without an adjustment for remoteness, councils serving rural areas stand to lose funding that is crucial for maintaining basic service levels. At a time when local authorities are already under intense financial pressure, this shift will lead to reduced service provision, higher local taxation, or both—ultimately disproportionately affecting residents who have fewer alternatives and are already disadvantaged by geography.

The overall aim of the Government is to grow the economy, however without adequate funding for rural local authorities, this limits their capacity to help support and grow the rural economy, which will widen the gap between urban and rural productivity even further. The most rural local authority areas are currently 18% less productive than urban areas.

The Fair Funding 2.0 consultation asked for a subjective judgement, “Do you agree or disagree with the inclusion of the Remoteness Adjustment?.” No evidence was provided by the Government on this factor, in fact, it asked for the evidence to be submitted as part of the process in what was a very short timescale. 32% disagreed with this question, on the grounds that there is insufficient evidence to support the inclusion of remoteness, but respondents wouldn’t have had the opportunity to view evidence at that stage, as it was in the process of being submitted. It is an impossible question to answer fairly without seeing the evidence.

In its “technical peer review” (commissioned by MHCLG) and published in November 2025, The Institute for Fiscal Studies says “More generally, the evidence base for how remoteness actually affects supplier access and costs, and particularly how it does so above and beyond journey times, which are already captured in the dispersal and traversal factors, is limited. **We recommend that more evidence is sought on the nature of additional costs councils face in relation to**

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remoteness, to better understand whether the proposed measure is likely to proxy for these, and how to weight this factor.”

We agree with the IFS. We call on MHCLG to be much more transparent, before the Provisional Settlement is released in December, and publish details about how they have arrived at this decision, and why the evidence presented as part of the consultation has been rejected.

Yours sincerely

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