



HOUSE OF COMMONS
LONDON SW1A 0AA

Sarah Dyke MP
Member of Parliament for Glastonbury & Somerton

Alison McGovern MP

Minister of State for Local Government and Homelessness
Ministry of Housing, Communities and Local Government
2 Marsham Street
London
SW1P 4DF

20th January 2026

Dear Alison McGovern MP

Provisional Local Government Finance Settlement 2026/27

I am writing to you as the Chair of the All-Party Parliamentary Group for Rural Services, to express my concern over the Local Government Finance Settlement as outlined in the Provisional Settlement published on 17th December 2025.

There are a number of elements within the new formula which are causing concern for rural councils across the country. Whilst I welcome the development of an updated formula as the previous one was out of date and needed to be made more transparent and fairer, there are some serious issues which call into question the fair, transparent nature of the formula.

MHCLG should publish the data and calculations used for the individual Relative Need Formula's to enable local authorities to validate the data and understand the impact.

The new 'fairer formula' uses data from IMD 2025 as part of the calculations and uses outdated IMD 2019 which is used as a basis for the Recovery Grant. The continuation of the Recovery Grant and the implementation of a separate transitional system based on it is without technical foundation and contrary to principles set out by Ministers last December.

Removal of the remoteness uplift from the Area Cost Adjustment in all of the Relative Needs Formulas (RNF) except adult social care, means that the additional cost of delivering services in rural areas are not considered as part of the whole formula. Consequently, the most urban councils are expected to receive around 41% more per resident in Government-funded spending power than the most rural councils.

There is an expectation that rural residents will fill the gap in core spending power for rural councils. Rural residents on average pay 20% more than urban residents per head in council tax and yet wages earned in the rural economy are lower than the national average.

Whilst I recognise that the impact of the new formula will be felt differently across the country, there are many rural councils which will struggle to deliver the services that their residents need in the coming year. By 2028/29, the most urban authorities' spending power is expected to allow them to spend around £100 more per resident on essential services than the most rural councils. This disparity, we as an APPG fear, will result in very difficult decisions about cuts to services.

I ask the Government to reconsider the removal of remoteness from the RNF, publish all of the data behind the settlement to enable councils to fully understand the decisions that have been taken and ensure that there is transparency around the decisions.

Yours sincerely,

A handwritten signature in blue ink that reads "Sarah". The signature is fluid and cursive, with the first letter 'S' being large and prominent.

Sarah Dyke MP

Chair, APPG for Rural Services