RSN response to the Provisional Local Government Settlement Consultation 2026-2027

The following response is on behalf of the Rural Services Network, an LGA Special Interest Group and is submitted by Kerry Booth, RSN Chief Executive, contact admin@sparse.gov.uk

Question 1: Do you agree or disagree with the government's proposals for distributing the total Fair Funding Allocation across the multi-year Settlement period from 2026-27? This encompasses the approach to Baseline Funding Levels, Revenue Support Grant, the Adult Social Care Relative Needs Formula distribution, the additional funding for local services, the approach to the Local Authority Better Care Grant, and the method for calculating tariffs and top-ups.

1.1 OVERALL

WE DISAGREE IN THE STRONGEST POSSIBLE TERMS. WE DO NOT ACCEPT THAT THE RESULTS ARE FAIR OR REASONABLE FOR COUNCILS SERVING RURAL AREAS. IT IS ANOTHER KICK IN THE TEETH FOR THE COMMUNITIES AND BUSINESSES IN RURAL CONSTITUENCIES AND SHOWS A COMPLETE DISREGARD FOR THEIR NEEDS.

The RSN has always supported the principle of reform and the move toward a multi-year settlement. However, without stronger recognition of rural costs and capacity constraints, the proposed arrangements risk entrenching existing disparities and undermining the sustainability of vital services in rural communities.

The provisional settlement falls way short of delivering a genuinely fair, transparent, and sustainable funding framework for rural local government.

Material changes have been made in the funding methodology, particularly around the treatment of remoteness, which means that rural authorities have seen their share of funding reduce since the summer consultation. Under these proposals the funding gap between rural and urban authorities has widened in 2026-27 and continues to widen over the next 3 years.

Ministers made positive statements about rural authorities, and the costs related to rurality, in the summer consultation (and indeed in last year's provisional settlement). There were none in this year's provisional settlement, **and it is clear that ministers have decided to sacrifice the funding settlement for rural areas in order to bolster the funding in urban areas in London and the metropolitan districts.**

The outcome has a very clear political agenda, with changes since the summer consultation designed to shift resources towards authorities that are favoured by ministers. Our analysis shows that there have been very substantial movements in funding towards urban areas. **Those changes are driven by decisions that are, in most cases, contrary to the evidence and principles that the government proposed in its consultation paper in December 2024.**

In the Summer consultation paper Ministers made positive statements about rural areas, and we would ask why ministers have not honoured these statements in the provisional settlement (and indeed, no mention is made of rurality in the provisional settlement consultation):

“Our reforms will take into account the different needs and costs faced by communities across the country, including adjusting for the costs of remoteness faced by rural communities”

“This up-to-date approach will use the best available evidence to take account of the different needs and costs faced by local authorities in urban and rural areas”

“Rural areas, especially those with popular natural attractions, can also face heightened service demands due to high tourist volumes.”

While the settlement places increased emphasis on deprivation-based indicators, it does not sufficiently account for the higher per-unit costs of delivering services in rural areas. Rural authorities face unavoidable additional costs arising from, amongst other things:

- Geographic sparsity and dispersed settlements
- Longer travel times for staff, contractors, and service users
- Reduced economies of scale in service provision
- Reduced access to markets and the need to replicate service delivery points on access to service grounds

These cost drivers are structural rather than discretionary and persist irrespective of deprivation levels. **The absence of a robust and explicit rural cost adjustment within the needs assessment risks systematically under-funding rural councils relative to the true cost of statutory service delivery.**

Whilst the RSN acknowledges the importance of properly resourcing areas of acute deprivation, an approach that relies predominantly on deprivation metrics risks overlooking rural authorities with comparatively low deprivation scores but high service delivery costs and significant demographic pressures, including ageing populations.

For many rural councils, the proposed redistribution will result in a relative loss of funding or constrained growth in core spending power, despite rising demand for adult social care, children’s services, planning, environmental services, and highways maintenance. This creates a funding gap that cannot be bridged through efficiency measures alone.

THE VARIATIONS IN FUNDING BETWEEN URBAN COUNCILS AND THEIR RURAL COUNTERPARTS IS NOT CREDIBLE:

- ➢ **Under these proposals, between 2024/25 and 2028/29 the gap between the total Spending Power per head of population will see the most urban councils have a 24% increase in funding compared to 17% for the most rural councils.**
- ➢ **More telling than that, by 2028/29 Government Funded Spending Power will see a 52% gap per head between the most urban and the most rural councils – it cannot be fair that every urban resident has over 40% more funding allocated to their local council compared to their rural counterparts – the gap is just too big to be credible.**

- **But it does not stop there. 2028/29 is the final year of the Transitional Relief. Therefore, in 2029/30 – (looking at Councils and excluding other bodies such as the GLA and Fire) - all other things being equal – the most rural areas will lose a further £144M and urban areas will gain that sum. For rural areas this is a greater proportion of their government funding (2.79%) than it is for urban (1.33%) and therefore the cliff edge is a bigger issue for rural councils.**

Further analysis of the proposals from a rural perspective, shows:

- **The most Urban Councils will receive 41% more <u>per head</u> in Government Funded Spending Power than the most rural councils in 2026/27**
- **In 2026/2027, residents in the most rural areas will pay on average 20% (£127) more <u>per head</u> in Council Tax than the most urban residents.**
- **Between 24/25 and 28/29, Government Funded spending power for the most urban authorities will have increased by 21%. for the most rural councils in the same period, it will have only increased by 1%**
- **By 28/29, the most urban authorities spending power will have increased so that they are able to spend over 8% (almost £100) more <u>per resident</u> than the most rural authorities on services.**

There is a clear need for the addition of an explicit rural weighting into the core formula to reflect higher unit costs of service delivery – independent of deprivation scores. This would fund rural councils where service delivery is inherently more expensive, not just where social need is concentrated. It would ensure that fairness is defined not only by social deprivation but also by the geographic and economic realities of rural governance.

Our key concerns about the provisional settlement are:

1. Removal of the **Remoteness** uplift from the Area Cost Adjustment (ACA) in all the Relative Needs Formulas (RNF) except Adult Social Care. MHCLG established that there is a strong technical case for including a remoteness uplift in every RNF, and we are aware of sufficient evidence to inform the setting of weightings for remoteness.

2. Continuing **Recovery Grant**, and implementing a separate transitional system based on it, is without technical foundation and is **contrary to the principles set out by ministers last December. The basis of the grant has also not been updated and continues to use the 2019 IMD simply because this achieves ministers' preferred political outcomes.**

3. Proportion of the Core Spending Power increases that is **funded from council tax, with the burden for funding the settlement placed largely on the taxpayers in rural areas.** Nearly three-quarters of the increase in CSP is funded by assumed increases in council tax. The projected increase in taxbase is

incorrect because it does not adjust for the one-off increase from the second-homes premium.

1.2 FLAWED CONSULTATION

We consider that the Consultation itself is flawed – fatally so. We say this due in the main to the very important detail which has not been published and which therefore leaves us unable to review and analyse some essential features of the proposals. We set out details of our concerns below:

- The timetable for the Provisional Settlement Consultation is ridiculously short – especially considering the Christmas and New Year break. Providing just 17 working days - substantially shorter than the 12-week consultation period that we would expect for a change in funding on this scale - for responses to a major consultation on a new funding formula for local government services– and a three-year settlement is woefully inadequate. As the Government's Consultation Principles states "Consulting too quickly will not give enough time for consideration and will reduce the quality of responses." Although there have been previous consultations, this is the first time that authorities have been able to see official exemplifications. Furthermore, there have been some very substantial changes in the proposals since the last consultation (June 2025), and there has been very little time to consider these late changes.

- In the Fair Funding Review 2.0 Consultation which closed on 15th August 2025 it was said in paragraph 3.1.5 that the Government would "set out and measure progress on the key services and outcomes we want to work with local government to deliver for local people and places". The Government has not set out the key services and outcomes it wishes to see. The Government cannot, therefore, say that the new funding formula will represent the true costs in meeting those desired service levels and outcomes in all types of areas. It is important that when the Government does set out the details of the key services and outcomes, they want to work with local government to deliver for local people and places, it does so with sufficient granularity that unmet service needs in rural areas can be readily identified.

- The lack of transparency in the development of this settlement also means that we have been unable to validate the data and calculations used for the individual RNFs and the overall funding allocations. Instead of each authority being provided with all the data and calculations that have been used, we have instead a series of wholly inadequate "explanatory notes." These are not sufficient for authorities to replicate the calculations.

- This means that we cannot see the amounts, nationally or for each Council, in the Area Costs Adjustment proposals for Accessibility in each RNF or for

Remoteness in the Adult Social Care RNF. We cannot therefore judge their reasonableness (or otherwise) in the context of the additional costs to rural councils due to these factors. For instance, many rural authorities would want to check the data used in the Home To School Transport RNF for journey distances. It should be possible for MHCLG to share this data with authorities. Without the ability to check the data, it is possible that errors or misunderstandings have been introduced into the RNFs.

- **RSN's primary concern about the settlement is the decision not to have a Remoteness uplift in the Area Cost Adjustments (ACA), except Adult Social Care. The technical case was very strong for the inclusion of remoteness, and we are aware of sufficient evidence to support a non-zero weighting in every RNF. These are the questions that RSN would like answers to before the final settlement is confirmed next month:**

  1. MHCLG has undertaken statistical analysis in previous settlements and drew the conclusion that remoteness was statistically significant and should be included in future funding formulas. It said that there is a "compelling theoretical case for including this adjustment." What analysis has MHCLG undertaken in recent years to establish that this is not now considered to be statistically significant? Can this analysis be shared with RSN and rural authorities?
  2. We understand that there was insufficient evidence from this analysis to weight remoteness within the ACAs, and that further evidence was required from local authorities to support a ministerial judgement. What evidence did MHCLG consider and take into account? Can this evidence be shared with RSN and rural authorities? Is there a written evaluation of this evidence, and can it be shared with RSN and rural authorities?

As started above, the Government has only agreed to include costs associated with remoteness in respect of adult social care services. This is despite the fact that in its "technical peer review" (commissioned by MHCLG) and published in November 2025, The Institute for Fiscal Studies **"recommend that more evidence is sought on the nature of additional costs councils face in relation to 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 by publishing full details about how they have arrived at this decision, and why the evidence presented by the RSN and its members as part of the consultation has been rejected.**

<u>In the interests of fairness and transparency, we call on the Government to commission independent, robust research into the whole question of the costs associated with remoteness (and indeed Accessibility) across all services during the three-year period covered by the Provisional Settlement. The RSN stands willing to work with such a review.</u>

- Some of the presentation has been misleading because it refers to both 2024-25 and 2025-26 as baselines. We are aware that this has caused confusion at times because the increases compared to 2024-25 are – clearly – much higher. All comparisons should have been compared to the 2025-26 baseline.

- There are a number of unitary authorities that are affected very badly by this Provisional Settlement, for distinct reasons. Some of the Berkshire unitaries (with high taxbases) will have low increases in Core Spending Power (Wokingham +4.8%, Windsor and Maidenhead +7.0%, West Berkshire +6.2%). **Westmorland and Furness have an increase of only +2.9% (badly affected by both remoteness and the inclusion of second homes in the taxbase).** Brighton and Hove and York have low increases (5.4% and 0.9% respectively), possibly caused by the treatment of non-residents in the funding formula.

  The above figures are based on the detail in the Provisional Settlement, but our member Westmorland and Furness Council describe even this increase as illusory. They say "it is based on the assumption that we have Taxbase growth of 3% p.a. Our own calculation is that based on historic underlying taxbase growth, Core Spending Power will fall from £309.9m to around £303m, i.e. a reduction of 2.2%." (See page 20 of this response for more details).

- The inclusion of 2nd homes in the taxbase calculation was not consulted on. Indeed, the Consultation Question was "Do you agree with the government's proposal to assume that authorities make no use of their discretionary discount and premium schemes in the measure of taxbase?"

  Our view remains very strongly that second homes premiums should not be built into future taxbase forecasts. Firstly, the actual numbers of second homes are still very volatile and have not yet settled down. Secondly, the increase is one-off – these authorities will not continue to get the same level of increase in taxbase in future years. **By including the premiums in the measure of taxbase, the planned benefits of this discretionary tool are removed.**

- Retention of Recovery Grant was not consulted on and is not based on any of the funding formulas that are used in the current settlement. As a result, unless Recovery Grant allocations continue again into 2029-30 (unlikely), then this will leave those authorities receiving Recovery Grant above their funding target at the end of 2028-29. These amounts will largely benefit metropolitan and unitary authorities. **Recovery grant uses 2019 Indices of Deprivation whilst the rest of the formula uses 2025 which is inconsistent and a clear breach of the Government's stated principle to always use the most up to date data.**

- In the 2025/26 Settlement the government removed the Rural Services Delivery Grant, which was worth £110 million in 2024-25. Had that decision been part of the proposed changes to the formula in 2026/27 it would be subject to the Transitional Arrangements and, furthermore, this timeframe would have enabled authorities to consider changes in funding allocations in a managed way, as part of medium-term financial planning. Rural Councils in receipt of RSDG were denied those opportunities.

- In overall terms, the risks around the cliff edge are greatest in inner London and shire districts. They are 7.4% and 6.4% above their funding targets in 2028-29. The cliff edge is lower in percentage terms in metropolitan authorities (only 2.1%).

- In our view, the government has not followed its own principles of moving authorities to their funding targets over 3 years. We understand the argument for giving authorities losing the most funding protection (at either 95% or 100%) – but there is now a real risk that these authorities will never be transitioned to their underlying needs assessments.

1.3 IMPACT OF THE PROVISIONAL SETTLEMENT OF RSN MEMBER AUTHORITIES

Rural authorities will receive received substantially lower increases in Core Spending Power (CSP) over the next 3 years.

County unitaries will have the lowest 3-year increase in CSP of any upper-tier class, and many of these authorities are rural authorities. Most have been negatively affected by the exclusion of the Remoteness uplift from the ACA.

In the above, we have applied the actual provisional settlement figures – but these are overstated, particularly for many rural authorities. MHCLG has incorrectly used the taxbase growth based on the change between 2021-22 and 2025-26 without making an adjustment for the second-homes premium. The second-homes premium was introduced in April 2025 and should not be included in the four-year average taxbase growth projections.

Shire districts will have the smallest increase in CSP over the next 3 years, and many are facing significant cuts in CSP. However, the changes in CSP for district councils are skewed by the way that business rates income has been rolled into the settlement in 2026-27. District councils' 2025-26 baselines include all the business rates pooling gains. So, the starting point is higher, but the cuts appear to be steeper. Many district councils have, as a result, ended up with more funding than they were expecting, but this does not apply to all district councils.

Ministers have made a number of material changes in the funding distribution in the provisional settlement compared to the funding outcomes anticipated following the summer consultation. We have estimated the gains and losses from the proposed funding changes, excluding the impact of council tax and quantum changes. We can see that the largest increases are in urban areas (with the exception of inner London), and that the largest reductions compared to the Summer are in shire districts and county unitaries.

The net gain for the most urban authorities increases from £196m to £362m, whereas PR authorities have seen their losses from the funding reforms

increase from £51m to £353m. Losses for the most rural authorities have worsened by more than £300m.

Many PR authorities have seen a reduction in funding in the provisional settlement compared to what was expected in the Summer, even before we adjust for the excessive taxbase growth including the second-homes premium. **This demonstrates very clearly that ministers have made decisions that actively favours urban authorities at the expense of all county authorities.**

Cornwall's funding reduces the most and is £58.8m lower than was expected in the Summer. Other authorities with the largest changes in funding are also unitary authorities with high levels of remoteness. There is a very strong correlation between remoteness scores and the change in funding share compared to the Summer.

Shire counties have been less severely affected because some of the losses (e.g. from remoteness) have been offset by an increase in the weighting for counties on the Foundation Formula. There have also been some improvements for rural areas, particularly in the Home-to-School Transport RNF.

Over many years, RSN has measured the funding gap between rural and urban authorities. Over the last 15 years, this gap remained relatively static but has now started to widen again. We can see that the CSP per head is around 1.5% higher in 2024-25 but expands over the next 3 years to 7.5%. **This shows very clearly that ministers have made decisions that favour urban over rural areas. RSN's view is that these decisions are unfair and unfounded.**

Furthermore, rural authorities are expected to fund a much higher proportion of their CSP increases from council tax. **If we look only at Government-Funded Spending Power (GFSP) then the gap between the most urban and the most rural areas expands from 27.0% in 2024-25 to 52.1% in 2028-29. By the end of this period in 2028-29, the most urban authorities will be receiving GFSP per head of £700.43 compared to only £460.50 in the most rural authorities.**

1.4 THE EXCESSIVE IMPACT OF THE USE OF THE INDICES OF DEPRIVATION ON THE CONSTRUCTION OF THE NEW FORMULA

As has been our consistent approach through the Fair Funding 2.0 consultation processes, the RSN does not support the inclusion of the deprivation uplift. The IMD is not an appropriate measure of deprivation because it is too broad and **takes into account measures of deprivation that are outside the scope of local government services. Furthermore, it does not provide sufficient weight to measures of deprivation within rural areas, such as access to services.**

We continue to have significant concerns about the use of the IMD to distribute funding in this context. The IMD is a composite index with a range of different domains.

There has been no evidence published by the government to demonstrate that deprivation is the key factor for distributing funding to local government. Indeed, the research undertaken by MHCLG in 2018 suggested that deprivation "was not a major cost driver for the services included in the Foundation Formula". The same research found that population was overwhelmingly the most important factor, driving 88% of the variation of upper-tier costs in the Foundation Formula, and 84% of the lower-tier costs. **MHCLG has not published any evidence that would lead it to change its conclusions about the relative importance of deprivation for distributing general funding to local government. This leads to the conclusion that there is no such evidence and that the decisions are political – not technical and certainly not evidence based.**

Rural deprivation is masked by existing deprivation measures. In this regard the English Indices of Deprivation (IoD) has been widely criticised for measuring deprivation in urban areas better than in rural areas. Critics of the IoD note that:

- Some measures it uses are urban-oriented, whilst rural aspects to issues such as low income, health and crime are under-reported or poorly measured;
- Access to services and affordable housing (key rural issues) is one domain, but is given less weight than most of the other domains;
- The Index is most effective at identifying small area concentrations of deprivation, whereas rural deprivation is typically scattered.

Selected key findings from the latest Communities and Households report from the Statistical Digest of Rural England update show that Rural neighbourhoods are typically more deprived in terms of Geographical Barriers and Indoor Living Environment however their weighting is much lower in the overall assessment:

- **Within the English Indices of Deprivation 2025, in terms of Geographical Barriers to Housing and Services, 88% of the rural population lived in the most deprived 20% of neighbourhoods nationally, compared with just 7% of the urban population**.
- **Within the English Indices of Deprivation 2025, in terms of the Indoor Living Environment, 38% of the rural population lived in the most deprived 20% of neighbourhoods nationally, compared with 16% of the urban population.**

The weighting of deprivation within the Foundation Formula is too high. In the 2018 consultation paper, analysis produced by MHCLG showed that the weighting for deprivation should not be higher than 4% for upper-tier services, and 0.4% for lower tier services. The weighting in the proposed Foundation Formula is considerably higher than this. It is essential that any weighting is driven by the evidence. **MHCLG has not published any evidence or analysis that justified the higher weighting. Again, this leads to the conclusion that there is no such evidence and that the decisions are political – not technical and certainly not evidence based.**

1.5 THE COMPONENTS OF DAYTIME POPULATION INFLOW SHOULD BE WEIGHTED TO REFLECT THEIR RELATIVE IMPACT ON DEMAND FOR SERVICES

RSN supports a daytime population element within the Foundation Formula. Many rural authorities have considerable numbers of visitors, particularly those with substantial tourist economies. Visitors have a very significant cost to these rural authorities, and it is correct that the formula compensates these authorities for these costs:

Although these authorities can generate some income from these visitors, the amounts are very insignificant (small amounts of car parking income, for instance). There is a substantial net cost to the authorities.

Costs are particularly high for waste collection and street cleansing, public transport, street management, noise management and planning. With the abolition of the Concessionary Fares RNF, many of these authorities will also have to fund very high concessionary fares payments.

As far as we can see, only domestic visitors are taken into account. For some rural authorities, many of their visitors will not be domestic visitors. It is illogical to exclude non-domestic visitors. Visit Britain’s website states “In 2024, the sector experienced modest growth due to an increase in overseas visits to attractions (+6% on 2023) and a decrease in domestic visits (-1% in 2023)”.

1.6 THE ADDITIONAL FUNDING FOR LOCAL SERVICES

As we commented earlier, we cannot see the information published in the Provisional Settlement Consultation, the amounts, nationally or for each Council, in the Area Costs Adjustment proposals for Accessibility in each RNF or for Remoteness in the Adult Social Care RNF. We cannot therefore judge their reasonableness (or otherwise) in the context of the additional costs to rural councils due to these factors.

There is no logic to not providing for the costs of remoteness in each RNF.

RSN’s main concern about the proposals in the provisional settlement is the decision to remove Remoteness from the Area Cost Adjustment (ACA) in every RNF (except ASC). **RSN is very strongly against this change in methodology and will be taking further action to understand the way that this decision has been taken. We will want to understand the rationale for the decision, and the evidence on which it was based.**

MHCLG had previously undertaken an in-depth review of sparsity and rurality and had decided to replace the sparsity indicators with new indicators for dispersal, traversal, and remoteness within the ACA. There was a strong statistical basis for these indicators, and for remoteness there was a “compelling theoretical case for including this adjustment.” We understand that the research undertaken by MHCLG produced weightings for the dispersal and traversal indicators, but not for remoteness. The remoteness uplift would therefore have to be based on other evidence, such as case studies from local authorities. This evidence was produced by authorities, and we are surprised that MHCLG has determined that there was only sufficient evidence for a remoteness uplift in the ASC RNF.

Based on the analysis undertaken by MHCLG itself, we would have expected a remoteness uplift in the ACA in every RNF, even if the weightings were reduced compared to the summer consultation. **It is also inconceivable that there was no**

evidence to support the inclusion of remoteness in all the RNFs. The decision on remoteness appears to be driven by political considerations rather than technical ones. Both SIGOMA and London Councils lobbied hard to remove remoteness – and ministers appear to have gone along with this request, even though the technical analysis and evidence supported the continued use of remoteness.

MHCLG should have engaged directly with the rural authorities supplying the evidence. This would have helped MHCLG to understand the costs associated with remoteness. It would also have provided an opportunity for MHCLG to fill in any gaps in the evidence base. **RSN is confident that the evidence is available, if only MHCLG had made further efforts to obtain it**. Nevertheless, RSN has seen the evidence supplied by rural authorities in support of remoteness, <u>and our view is that this evidence is sufficient to support a weighting for remoteness in every RNF within the settlement.</u>

We want to see the evaluation that MHCLG undertook and feedback on the evidence that was provided, and why the judgement was made that there was insufficient evidence.

Clearly the removal of the sparsity has had a very negative effect on many rural authorities. RSN has estimated the impact of removing the remoteness uplift from the ACA. We have compared the ACAs in the Summer consultation with those used in the provisional settlement. The changes in overall funding are considerable with rural losing out significantly whilst urban authorities gain.

If we look at the authorities who are losing the most from the removal of remoteness, the largest in cash terms is Cornwall (£57m) and the largest in percentage terms is the Isle of Wight (7.5%) **(Table 1).** Both Westmorland and Furness and Herefordshire have also received very significant reductions as a result of the change in remoteness.

Table 1 – Impact of removing remoteness on selected rural authorities

Local authority	Rural urban	TOTAL ACA (remoteness) change in £Million	TOTAL ACA (remoteness) change (%)
Isle of Wight Council	Predominantly Rural	-£15.679	-7.7%
Cornwall	Predominantly Rural	-£57.204	-7.2%
Westmorland and Furness	Predominantly Rural	-£17.426	-5.6%
Herefordshire	Predominantly Rural	-£10.175	-4.4%

These are huge changes in funding and have made it extremely difficult for these authorities to make budget plans for 2026-27. These changes were communicated very late in the process, with actual numbers only arriving after many of these authorities had already published their budget-setting reports for next year. **It is extraordinary that the proposals in the Summer included what appear to be very high weightings for remoteness if the department was not already confident about the weightings.**

RSN disagrees with the removal of the sparsity indicators within the current Environmental, Protective and Cultural Services (EPCS) and Adult Social Care formulas. RSN has made a compelling case for the continued use of these indicators within the funding formulas. They provide essential funding for the additional costs of providing services in rural areas. With the abolition of RSDG, these indicators are even more important.

Their replacement with the Accessibility and Remoteness uplifts within the ACA is only a partial solution. The ACA uplifts only provide additional funding for the higher unit costs within rural areas. Travel times are certainly higher in rural areas, and these do lead to higher unit costs. <u>We welcome the introduction of the Accessibility uplift – but it does not cover the wider demand pressures or the unmet need within rural areas.</u>

EXAMPLES OF UNMET NEED

Transport and Connectivity

Public transport in rural England has dramatically declined, leading to mobility challenges:

- In the most isolated areas, **buses account for less than 1% of journeys**, reflecting cuts or withdrawals of routes.
- Many villages now lack reliable links to hospitals, job centres, schools, and shops, increasing **social isolation**, especially for people without cars.
- Unmet need is greatest where transport infrastructure isn't commercially viable, but no alternative provision is funded.

Healthcare Access

Rural residents often travel further and struggle to access care:

- Around **10% of rural residents report difficulty accessing hospitals** compared with 3% in urban areas, and **GP access can involve hour-plus journeys** by public transport or walking.
- Reduced local facilities and closures disproportionately affect older people and those with mobility challenges.
- *Pharmacies* and community health infrastructure are also thinner on the ground in many rural districts, contributing to "healthcare deserts"

Digital Exclusion

Good digital connectivity is essential for modern public services, but many rural premises lag behind:

- Some rural homes **still lack broadband meeting basic standards**, limiting access to online services, remote work, education, and telehealth.
- Gigabit broadband rollout is slower and patchy compared to urban areas. Digital exclusion creates an *unmet need* where services are shifting online without equivalent offline alternatives.

Social Infrastructure Gaps

Several locally valued services are harder to sustain in rural settings:

- **Libraries, childcare, youth services**, and **Jobcentre Plus offices** are less frequently available locally, forcing travel or reliance on limited mobile services.
- Rural families often face fewer childcare places per child and lower quality ratings
- Community facilities that support wellbeing — village halls, leisure centres, etc. — are under pressure or at risk without stable funding.

Housing Shortages

Affordable and social housing deficits are acute in rural England:

- Under-supply of affordable housing forces workers and young families out of rural areas, undermining community sustainability.

Unmet needs manifests itself in many ways, to quote a 2021 report by CPRE – The Countryside Charity entitled 'Outpriced and overlooked - Survey on why young people feel forced to leave rural areas' "In 2018, The Prince's Countryside Fund identified the movement of young people out of rural areas and into more built-up, urban areas as a 'top five' issue across the UK countryside. All too often, young people feel driven away from their local communities as a result of significant everyday challenges, such as poor public transport or lack of affordable housing, which contribute to rural disadvantage"

When the move to the Accessibility uplift was first proposed in 2017, RSN opposed the change on the grounds that it would result in a narrower approach to sparsity and rurality. We still stand by this view on the relative merits of using sparsity indicators compared to ACA adjustments. As a result of this narrower focus on rural costs, the funding directed towards some of the most sparsely populated authorities has reduced substantially.

A Remoteness adjustment is a fundamental adjustment to reflects the higher costs that are incurred in remote authorities that are more-distant from larger markets, which are typically in more-urban areas.

Markets do not function as effectively in remote areas because competition is less strong, and there are often fewer providers available for services, particularly for the larger services where there are fewer providers nationally. Rural authorities report that there can often be very few providers bidding for a service; and, that if a provider becomes dominant in a service it is difficult to attract other providers to ensure that prices remain competitive. In addition, supplies must be transported over longer distances or can only be purchased from local providers who have a dominant market position locally (e.g. supplies for highways maintenance, such as aggregate). Even when supplies are purchased locally those suppliers will have paid more for their purchase of the goods from their suppliers- and that is reflected in the charges they too make.

There is significant concern about what is included in the formula in respect of "longer travel times to provide services." For instance, has it be captured that a refuse collection vehicle will need to divert from collections because the vehicle – often a smaller vehicle because of the rural road network - is full and take the collected waste to the disposal point and then return to its collection round?

The additional costs associated with rurality are more than just travel time/cost and the features of remoteness referred to in the consultation. We provided several examples from our member authorities in our response to the consultation in August 2025.

To repeat just one of those examples, we refer to the issue of Supported Bus Services in rural areas and cite information from Northumberland County Council as an example of the issues. They say:

"Buses are our most used form of public transport and an essential resource for people across both Northumberland and our region, improved bus services are a key enabler of our strategic objectives particularly as they relate to tackling inequalities and driving economic growth by connecting people to employment, education, healthcare and social destinations. Buses are often the only public transport option and a lifeline for those without private cars, with over 50% of bus users having no alternative transport.

As of the 1st of January 2025, Northumberland County Council provides financial support for 60 secured services. These cover both conventional bus and community transport services, funded from core budgets, partner contributions and Bus Service Improvement Plan (BSIP) funding. Gross funding of supported services for the 2024/25 financial year is expected to cost approximately £5.5 million.

Northumberland is home to over 324,000 people and covers an area of 5,013km^{2}. 97% of Northumberland is classed as rural, the county is sparsely populated with 63 people per km^{2}. This presents difficulties in delivering public transport across a largely rural county. The commercial bus network operating across Northumberland provides a good level of services frequency and travel options for half of the County's population who live in 3% of urban land in the south east of the County. The network inter-connects key market towns in southeast Northumberland as well as providing excellent links into the city of Newcastle.

However, as we move away from the relatively densely populated south east Northumberland commercial bus activity significantly reduces as the economics of serving sparsely populated areas and the longer distances between significant settlement means it is not commercially viable for operators to provide services at the frequency delivered in more urban areas. In order to ensure that these underserved areas have adequate public transport Northumberland County Council funds 60 services - these primarily operating in the north and west of the county providing key transport links that would not otherwise exist without the financial support provided by Northumberland County Council and its partners.

Any future funding formula needs to factor sparsity/rurality into its calculation as moving towards a deprivation-based metric will adversely affect Northumberland's largely rural communities. In Northumberland it cost between £0.00-£2.50 subsidy per passenger to fund a predominantly urban bus service, this figure rises to £4.00-£7.00 per passenger to deliver a bus service in a largely rural area.

Whilst Northumberland has both urban and rural deprivation, it is sparsity/rurality that is the biggest barrier to delivering a fit for purpose public transport network. Any cuts to funding will lead to the removal of services, adversely affecting the users and communities served. Reducing/removing supported public transport from rural areas will compound the inequalities that already exist and hinder economic growth."

RSN also supports the new formulas for Adult Social Care and, with some important reservations, in Children's Social Care. Both new formulas have built on very thorough evidence and research and have been developed by independent academics. RSN supports the use of independent research to underpin new formulas. Our main concern is with the new Children's RNF, where some rural authorities appear to be receiving less funding than they currently do, and substantially less funding than their current expenditure levels. There is also inconsistent treatment of similar rural authorities. DfE needs to do more to explain how this new formula has been developed, and why it results in such apparently irrational changes in funding.

Separately we also need to see explained the adjustments that have been made for "differences in local geography, such as bodies of water." Many rural authorities will have a range of different geographical features that affect travel distances (e.g. mountains, moorland).

1.7 HOME-TO-SCHOOL TRANSPORT (HTST)

RSN supports the decision to increase the cap on the travel distances in the HTST RNF. There was no reasonable basis for capping the distance at 20 miles.

The increase in the cap to 50 miles has increased funding to many rural authorities. We estimate that the largest increase is in Norfolk (£9.9m, 15.6%) and the largest percentage increase is in North East Lincolnshire (£1.0m, 22.0%). The increases in HTST RNF have not always been in the authorities we might have expected. For instance, the increase for Westmorland and Furness (the most sparsely populated council in England) is only £3.2m, or +3.2%.

We would ask MHCLG to share the dataset that has been used to calculate the HTST RNF so that authorities can check it for accuracy.

1.8 COUNCIL TAX EQUALISATION

RSN does not support full council tax equalisation. Given the burden of council tax that is placed on rural taxpayers, we do not think that it is fair to equalise 100% of the council tax revenue. **Rural authorities have to make up the difference between CSP and GFSP by increasing council tax.**

A proportion of council tax revenues should remain outside equalisation. This would help to incentivise housebuilding, because it would allow authorities to retain a proportion of the increase in revenues. Retaining some form of incentive is particularly important now that the New Homes Bonus (NHB) has been abolished.

In technical terms, it is not correct that the government is using 100% collection rates within the equalisation calculations. This is higher than the actual collection rates in billing authorities (which are around 97%). By assuming 100% collection of council tax, the settlement is effectively equalising more than 100% of council tax income. This is unfair and penalises county authorities, who have a higher share of the national taxbase.

MHCLG has not provided an explanation for why the Assumed National Council Tax (ANCT) for London is only 93.1%. Whilst we understand that the GLA is a complicating factor for council tax within London, we would expect the ANCT within the settlement to sum to 100% for all classes of authority. The resources adjustment is based on the share of taxbase and not on the actual Band D. This issue has been raised previously by the sector, and the department has not yet provided an adequate response.

1.9 CONTINUATION OF RECOVERY GRANT

RSN does not support the continuation of the Recovery Grant over the next 3 years. The grant was introduced in 2025-26 as a one-year grant. Its purpose was to "to get councils back on their feet" (Jim McMahon, written statement, 18 December 2024). The final settlement even said that the grant is "one-off."

The Recovery Grant is very heavily skewed towards urban authorities. Only £4.4m (or 0.7%) of the grant payments are to the most rural authorities. **93.8% was paid in 2025-2026 to the most urban councils (£562.8m out of £600m)**

The decision to continue the Recovery Grant in 2026-27 (and in the subsequent two years) is clearly motivated by political considerations. Continuing the Recovery Grant is contrary to the principles for the funding review, which is to use the "best available evidence." It also over-weights deprivation within the funding formula. IMD is already used within the Foundation Formula and using it again in the Recovery Grant effectively double-weights deprivation.

Many rural authorities were marginally below the cut-off for Recovery Grant payments, and if the grant is going to be continued the methodology should at least have been reviewed and the data updated. In particular, the allocations should have been updated for the 2025 IMD (rather than continuing with the out-of-date 2019 IMD). The distribution would also have benefitted from a review of the tier splits.

1.10 ROLLED-IN BRRS

Overall, the methodology for rolling-in BRRS amounts into the settlement is reasonable. As far as we can tell, the methodology accurately captures the BRRS income, including from pooling, enhanced retention, renewable energy, and enterprise zones.

Only one of our member authorities is in an enhanced retention arrangement (Cornwall). We recognise the importance of the retained business rates income to this authority and can support the inclusion of the enhanced retention in baselines. However, RSN would support the widening of the scope of enhanced retention arrangements to all areas with mayoral strategic authorities, including in county areas.

1.11 BUSINESS RATES RETENTION SYSTEM (BRRS) – CHANGES IN BASELINES

RSN supports the changes in BRRS baselines. Although many of our members lose from the business rates baseline reset, we acknowledge that a reset was inevitable. A reset had originally been planned for 2019-20 but was delayed for various reasons. Future resets need to be undertaken on a regular and predictable basis so that authorities can plan effectively.

The changes in the baselines are extremely complicated and should have been shared with local authorities much earlier in the process. The calculation of the rolled-in business rates income was only published alongside the Policy Statement in late November, and the revised Baseline Funding Levels (BFL) only in the provisional settlement itself. This leaves no time for checking or for scrutiny and has meant that authorities are trying to understand very complicated changes in their baselines at the same time as preparing their budgets.

1.12 POPULATION PROJECTIONS

RSN does not have a strong view either way about whether the latest mid-year estimates or population projections should be used. There are advantages and disadvantages from either approach.

However, there are some anomalies between the two datasets. For instance, some authorities have mid-2024 population estimates that are higher than their 2028 population projections. It is also not clear which population projections MHCLG has used in the RNF calculations.

Further information should be supplied by the department to confirm the datasets that have been, and to resolve any differences between the mid-year estimates and the projections.

Question 2: Do you agree or disagree with the government's proposed transitional arrangements?

DISAGREE

Rural authorities receive a relatively small proportion of the transitional support that is available. Predominantly Rural (PR) authorities receive only £226m (18%) of the £1.2bn payments for funding floors over the next 3 years. These funding floor payments are concentrated in Predominantly Urban (PU) authorities (£969m over 3 years). **It is notable that none of the upper-tier authorities who lost so much from the removal of the remoteness uplift receive any funding floor support.**

Rural authorities receive very little from the funding floors and yet are paying for them from the top-slice of funding within the settlement. The floors are also funded disproportionately from the council tax increases in rural areas. The cost of the floors is excessively expensive. These resources could have been better spent on "needs," such as widening the scope of remoteness funding.

The cost of the funding floors increases over the next 3 years, from £295m in 2026-27 to £581m in 2028-29. The government committed to phasing-out damping over the 3 years of the multi-year settlement but has clearly not achieved this. Significant amounts are left in the system in 2028-29, with no clear methodology for bringing these councils to their funding target in a reasonable timescale. For any authority receiving funding floor payments in 2028-29 this represents over-funding compared to these authorities' funding targets.

RSN opposes the Recovery Grant Guarantee very strongly. Whereas most upper-tier authorities only have a cash-terms funding floor (100% of 2025-26 funding), those receiving Recovery Grant in 2025-26 have a higher floor (5% in 2026-27, followed by 1% in the subsequent two years). **We have already outlined our concerns about the Recovery Grant, but this is then compounded by being used to determine eligibility for more-generous funding floors.**

Question 3: Do you agree or disagree with the proposed package of council tax referendum principles?

DISAGREE

RSN would prefer authorities to have more discretion over the level of Band D council tax. The proposed thresholds are reasonable, however, and are a continuation of the existing thresholds.

RSN does not support the inclusion of the full increase in Band D in authorities' Core Spending Power (CSP) allocations, and the assumption that authorities will apply their full increase. These are decisions that should be taken by local politicians. It also overstates the amount funding that is available to local authorities. If authorities do not increase their Band D by the maximum threshold, (and in rural council areas incomes earned in the local economy are lower than the national average, and the cost-of-living is higher) then it will have a lower CSP increase than the amount published in the settlement. **This is misleading and particularly affects rural authorities.**

Rural authorities have to fund a much higher proportion of their CSP increases from council tax. PR authorities fund **103%** of their CSP increase from council tax and urban authorities with significant rural are funding **88% In contrast, PU authorities are funding as little as 62%, and both outer London boroughs and metropolitan authorities are funding only 47%. This represents a huge transfer of council tax income away from rural authorities to urban authorities in London and the metropolitan areas.**

Rural authorities are much more reliant on their own council tax increases and receive much less support from the government via grant increases. Rural authorities are therefore under much more pressure to increase their Band D by the maximum.

RSN does not agree with the methodology that has been used to calculate the growth in taxbase over the next 3 years. These taxbase increases are included within the CSP increases and will affect funding floor payments where these would apply to individual authorities.

MHCLG has projected future taxbase growth based on the overall change in taxbase between 2021-22 and 2025-26. No adjustment has been made for the additional revenue that has been generated from the 100% second home premium that billing authorities were able to start applying from April 2025. Clearly, this is a one-off uplift in the taxbase and will not be repeated in future years, and it is wrong to include it in future assumed council tax growth.

RSN has recalculated council tax increases after adjustments for the second-homes premium. **We estimate that council tax growth has been overstated in rural authorities by £153m by 2028-29 (2.3% of CSP). This is a higher percentage than for urban authorities (£201m, 1.0%) or for urban with significant rural (£65m, 0.8%). (The issue is most acute in inner London, where the taxbase overstatement is around 5%).**

For some rural shire districts, council tax has been overstated by around 10% (North Norfolk, South Hams). In cash terms, Cornwall, the Isle of Wight, and Westmorland and Furness are overstated by the largest amounts (£16.2, £4.2m, £6.2m respectively).

Not correcting the future growth in taxbase for the 2nd homes premium appears not be the only one-off change which in significant. In the case of Westmorland and Furness Council one-off changes have been very significant driven by 1) harmonisation post Local Government Reorganisation; 2) the removal of temporary reliefs over Covid; 3) the introduction of the second homes premium. It goes without saying that none of these can be repeated! While the second homes premium is the largest of these impacts, the other impacts are not trivial. To put this in context, for Westmorland and Furness Council that Council says “the Government seem to assume a 3% annual increase, whereas our internal figure for underlying Council Tax base growth is 0.7%.

In practical terms, the error in the taxbase growth only matters if the authority is already below the funding floor, or the lower taxbase assumption would take it below the floor. Restating the taxbase growth would increase the cost of the funding floors (particularly in inner London, but also for some shire district councils who are already below the funding floor). **Our calculations indicate that the re-stated taxbase growth would take Westmorland and Furness below the funding floor (and generate around £1.1m in funding floor payments).**

Westmorland and Furness Council state that (1) “our assumption is much larger than this – we project Council Tax of £216.9m for 2028/9, whereas the Government spreadsheet gives £232.6m – i.e. a difference of £15.7m”. and (2) “we believe that the gap is considerably larger than you are saying – and should generate more than £1.1m in funding floor payments (we think we are down £7m over 3 years)”.

Whilst there will always be a degree of “rough justice” in national funding formulae the Government must be willing to enter into dialogue with Council’s such as Westmorland and Furness where the issues are of such great significance and impact.

Question 4: Do you agree or disagree with the government’s proposed approach to distributing funding for the Families First Partnership programme via the final version of the Children and Young People’s Services (CYPS) relative needs formula?

DISAGREE

RSN has concerns about the new CYPS RNF. There is insufficient information about how the RNF has been calculated, and the data that has been used. We understand that there are confidentiality constraints with the data, but our view is that MHCLG and DfE should have provided much more transparency about the new RNF.

The RNF itself is highly redistributive and it is not clear that the new RNF is an improvement on the current formula. Our analysis suggests that the current RNF is a better predictor of current spending patterns. It might be that the new RNF out-performs the existing formula in terms of reflecting the distribution of underlying children’s needs – but we need more evidence and explanation.

Changes have been made to the RNF compared to the summer consultation paper. Again, the rationale for these changes needs to be explained.

Based on these concerns, RSN is not in a position to offer a view about the most appropriate way of distributing the Families First Partnership funding.

Question 5: Do you agree or disagree with the government’s proposed approach of continuing the IDB support grant for 26-27 but seeking an alternative solution from 2027-28?

AGREE

RSN supports the research project to determine the funding model that is required for Internal Drainage Boards (IDB). In many rural areas, these costs can be significant, and they are not directly controllable by local authorities. **We would urge that MHCLG and DEFRA develop proposals that cover the full cost of the IDBs.**

Question 6: Do you agree or disagree with the government's proposal on Mayoral Strategic Authorities in the Local Government Finance Settlement?

DISAGREE

It is not clear what the consultation question is asking. The proposals in the settlement appear to treat Mayoral Strategic Authorities (MSA) in the same way as local authorities in respect of the shared funding streams.

The consultation raises the possibility that MSAs might have a formal share in the BRRS. Currently only WECA has a formal BRRS tier split. **We would want to see more formal proposals, with options, before expressing an opinion.**

Question 7: Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please identify which protected characteristic you believe will be impacted by these proposals and provide evidence to support your comments.

SEE COMMENTS BELOW

<u>RURAL POPULATIONS</u>

More people live in rural England than in the whole of Greater London.

Age is one of the protected characteristics and the rural population is significantly older than the urban population. In 2022 the proportion of the population aged 65 and over in rural settlements was 26% - compared to urban areas outside of London with 18%. What is more, a larger share of the population in rural areas is aged over 85+ compared to urban areas (3.3%- some 320,000 people) compared to 2.5%).

According to the ONS report on trends in subnational ageing, of the top 100 ageing local authorities, ranked by percentage aged 65 years and over, 85% are considered rural.

Under the Provisional Settlement rural councils will receive less funding per person compared with councils serving more densely populated urban areas, mainly because the formula targets deprivation indicators more heavily than sparsity. The Institute for Fiscal Studies comments "that Funding increases tend to be smaller in rural councils, risking weaker service provision compared with urban counterparts"

Due to the greater proportion of older residents in rural areas, they will therefore be disproportionately impacted by the policy which allocated greater funding to urban councils rather than rural councils.

For rural populations this means lower levels of discretionary money for local services relative to urban counterparts.

Older adults in rural areas are heavily reliant on council services such as:

- Adult social care and home support services
- Transport services

- Public health outreach and community activities
- Accessibility adaptations and preventive services

Variations in funding influence both availability and quality of provision.

- Councils in rural areas face having to stretch their more limited funding further for older, often higher-need populations:
- There may be pressure to raise council tax to protect services, affecting affordability for low-income older residents.
- Some rural authorities might have to reprioritise spending, potentially shifting resources away from preventive or community-support programmes that disproportionately benefit older people.

RURALITY AS A COMPOUNDING FACTOR

Although “rurality” itself is not a legally recognised protected characteristic, it interacts with protected characteristics in ways that materially affect equality of outcome:

Higher prevalence of older residents. This means rural councils may need to spend more per head on services that benefit older people, yet they receive less per head in funding compared with urban areas.

Higher costs and service pressures

- Transport costs, travel distances, and lower economies of scale all make service delivery more expensive in rural places, adding pressure on already limited budgets.
- Rural older residents may also face greater isolation and fewer alternatives to council-provided services (e.g, community care, public transport).

INTERSECTION WITH DISABILITY AND OTHER CHARACTERISTICS

Older rural residents are also more likely to have disabilities or chronic health needs. Disability has often been the second most frequently cited protected characteristic affected by funding changes. Combined with age and rurality, there’s a risk that funding pressures could compound disadvantages, particularly where councils have limited ability to maintain or expand services.

Rural older people experience reduced access or slower improvement in essential services like social care, transport, and community health because of lower per-head funding. These challenges intersect with disability and socioeconomic disadvantage, potentially deepening inequalities for rural residents sharing these characteristics.