

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

21st January 2026

Dear Minister,

**LOCAL GOVERNMENT PROVISIONAL SETTLEMENT 2026/27 CONSULTATION:
URGENT**

The Rural Services Network has submitted a very full response to the Consultation, and I am sending a copy for your information. This is the full submission we made by e mail rather than the one submitted through the portal - ID ANON-P2ZA-1R6Z-G which regrettably had to be cut down due to the character limit imposed on the response to question 1.

In our response we set out a number of specific questions and areas where data essential to the understanding of the proposals has not been published. This letter sets out the issues referred to and we urge you to respond as soon as possible and before the Final Settlement is determined.

1. Remoteness

- The 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 (ASC). **RSN is very strongly against this change in methodology. We need 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.

Campaigning for Fairer Funding for Rural Communities

Kerry Booth, Chief Executive PO Box 134, Craven Arms, Shropshire, SY7 7AL

Tel: 01822 851 370

www.rsnonline.org.uk email: kerry.booth@sparse.gov.uk twitter: @rsnonline

- 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.

These are the questions that RSN would like answers to before the final settlement is confirmed next month:

- 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? Please share this analysis with RSN and rural authorities?

- 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? Please 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?

In the interests of fairness and transparency, the RSN calls 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. **Will you agree to commission such research?**

2. Inappropriate Assumptions and the lack of essential data supplied in the Consultation Processes

Issue 1: Lack of Essential Data: The lack of transparency in the development of this settlement 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 – as we would have expected –, 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

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the Adult Social Care RNF. We and our members 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.

The Department must have the data, and we request its immediate circulation to the RSN and all authorities without delay

Issue 2 – Assumed Taxbase Growth: Our analysis has had to be 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%.”

Will the Department be prepared to enter into dialogue with Council’s such as Westmorland and Furness where the issues are of such great significance and impact?

Issue 3 – ANCT for London: 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.

Issue 4 - Population projections: RSN does not have a strong view either way about whether the latest mid-year estimates or population projections should be used. 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.

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

Issue 5 – the assumed future growth in taxbase

(a) 2nd Homes Premium: the 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

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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.

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).

Will the Department correct this obvious error and adjust the assumed Council Taxbase Growth for the 2nd Homes Council Tax Premium before the Final Settlement?

(b) Other assumed Taxbase Growth: the 2nd homes premium appears not be the only one-off change which is significant. In the case of Westmorland and Furness Council one-off changes have been very significantly 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%.

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)”.

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Will the Department be prepared to enter into dialogue with Council's such as Westmorland and Furness where the issues are of such great significance and impact?

Issue 6 – Children's and Young Persons RNF: 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.

Please provide information to explain the changes that have been made to the RNF compared to the summer consultation.

I look forward to hearing from you as a matter of urgency

Yours sincerely



Kerry Booth

Chief Executive, Rural Services Network