



# Local Government Funding

**Kerry Booth, Chief Executive  
Rural Services Network**

**2<sup>nd</sup> December 2024**





**The Rural Services Network is fighting for a fair deal for rural communities, in all public sector funding**



Ministry of Housing,  
Communities &  
Local Government

Policy paper

# Local government finance policy statement 2025 to 2026

Published 28 November 2024

Applies to England

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## Introduction

From tackling homelessness to delivering social care, from bin collection to driving local economic growth, good local government is the foundation of a good state – working in genuine partnership with central government to deliver better outcomes for the public. We need local government to help us deliver 1.5 million homes, including a new generation of secure, social and affordable homes; an NHS and social care system that’s back on its feet; the sustained economic growth we need to raise living standards; and the strong communities on which good lives are built.

# Local Government Finance Policy Statement published last week

“The Autumn Budget announced over £4 billion in additional funding for local government services, £1.3 billion of which will go through the 2025-26 Local Government Finance Settlement (‘the Settlement’).

We will target additional funding within the Settlement towards the **places that need it most**, increasing funding for social care, and introducing a new ‘Recovery Grant’ that will increase the efficiency of our funding by targeting money towards **areas with greater need and demand for services** (we have used **deprivation** as a proxy for this), and less ability to raise income locally.”

In this context, funding from the **Rural Services Delivery Grant will be repurposed** through improved methods to target funding toward areas with **high need and service demand**, whilst investing in the priority services people care about such as adult and children's social care.

The government believes that the Rural Services Delivery Grant is outdated and does not properly assess rural need. A large share of predominantly rural councils receive nothing from the Rural Services Delivery Grant.

This is clearly not right, and the government is keen to hear from councils about how best to **consider the impact of rurality on the costs of service delivery, and demand**, as part of our longer term consultations on local authority funding reform.

We are clear though, that our focus on the services that people rely on, such as social care, where pressures have grown across the country in recent years, will deliver for rural areas just as it will for the whole country.

# Rural Fair Funding Campaign

Recently published open letter to Rt Hon Jim McMahon which has 57 rural local authorities as signatories asking for a fairer allocation of funds for rural areas



Ministry of Housing, Communities and Local Government

2 Marsham Street,

London

SW1P 4DF

15<sup>th</sup> November 2024

Dear Rt Hon Jim McMahon MP

We are writing to you as the Rural Services Network, a national group representing rural service providers and local authorities in rural communities to urge you to ensure that rural local authorities receive a fair allocation of funding in the Local Government Finance Settlement.

We are proud to represent our rural areas and have been working to deliver services that meet the needs of our rural communities. You will note the strength of feeling on this issue from the 57 rural local authorities that have co-signed this letter.

However, rural councils have been underfunded for a number of years which means that we have to make difficult choices about the services that we provide.

The 2024-2025 Local Government Finance Settlement meant that urban councils received 36% per head in Government Funded Spending Power more than rural councils. Over the years, rural councils have had to increase council tax to balance the books, resulting in council tax in rural areas now being on average 20% higher per head than in urban areas. For rural residents, where average wages earned in the rural economy are lower than the national average, and the cost-of-living is higher. This creates a challenging situation.

We welcome the move towards multi year funding settlements and an end to competitive bidding for funds, but we are keen to ensure that rural local authorities are not disadvantaged by this approach. Measures and metrics used to assess need must take into account in full the additional costs of delivering services to rural residents (these are far more than travel related costs). The growing ageing population in our rural communities places additional demands on services which also needs to be taken into account.

We would welcome a conversation with you to ensure that this Government is taking into consideration the needs of all areas of the country, including our rural communities ahead of the Provisional Local Government Finance Settlement, and as part of future reviews of that process.



Campaigning for a fair deal for rural communities

# Next Steps

- **28<sup>th</sup> November** - Local Government Finance Policy Statement announcement
- **29<sup>th</sup> November** – Chief Executive of RSN met with DEFRA and MHCLG civil servants to express serious concern for rural areas and rural local authorities
- **5<sup>th</sup> December** – RSN has called a meeting of Sparse local authorities CX, Leaders and Finance representatives
- **Consultation starting in December** – RSN will be looking for evidence from members to support this process