



Provisional Local Government Finance Settlement 12 January 2026

The National Champion For Rural Services



**Membership body of around
475 organisations**

**Special Interest Group of the Local
Government Association**

**National Champion for rural
services ensuring that rural have a
strong voice**

Delivering for All



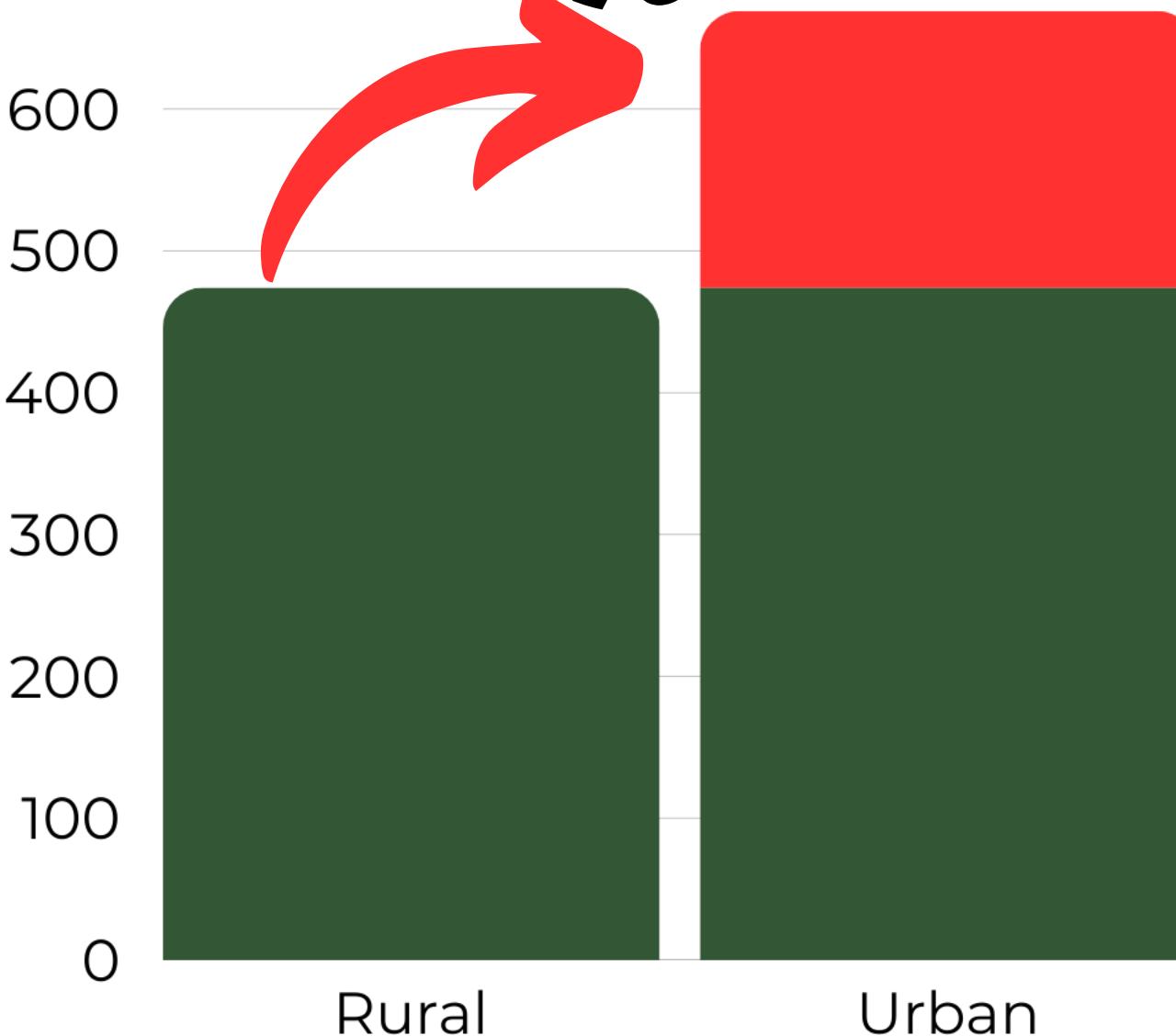
At the Rural Services Network, we believe that:

every person,
in every place,
deserves the chance to thrive,

including everyone in our rural communities.

Every Council should have the resources it requires to meet the needs of its residents.

41 % More



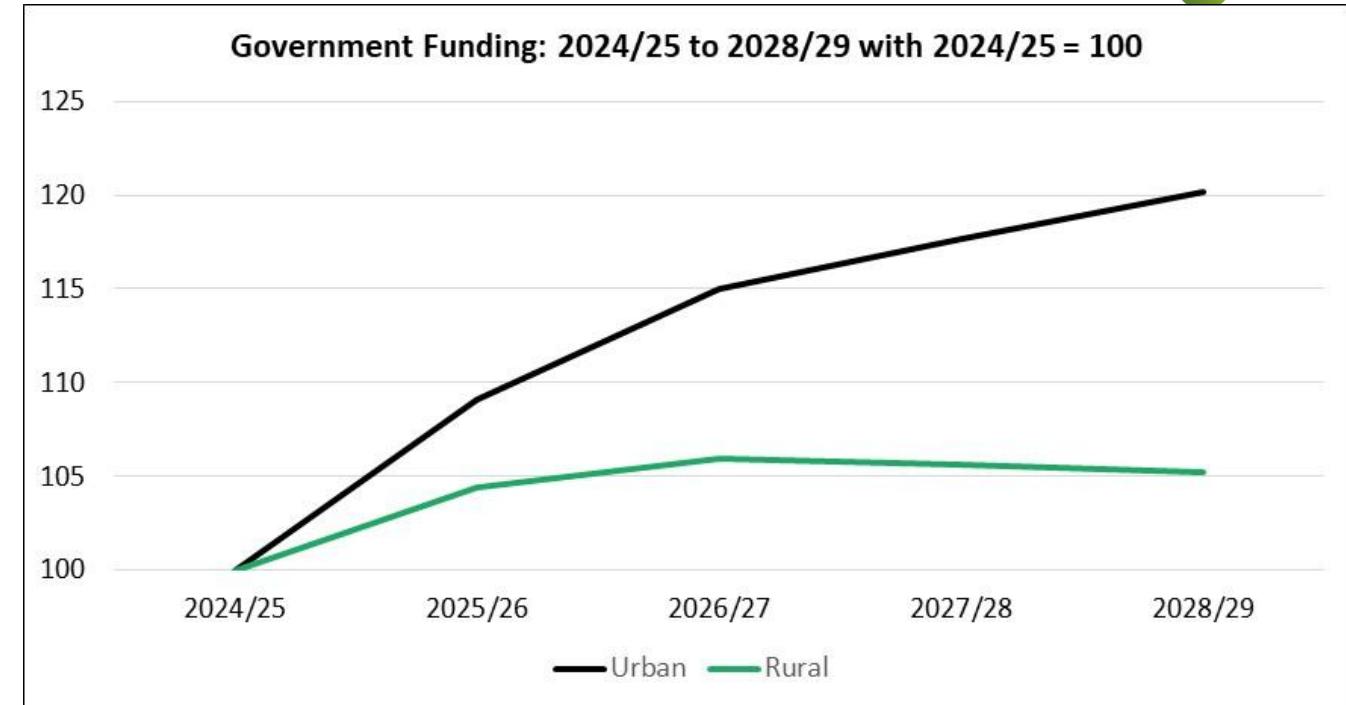
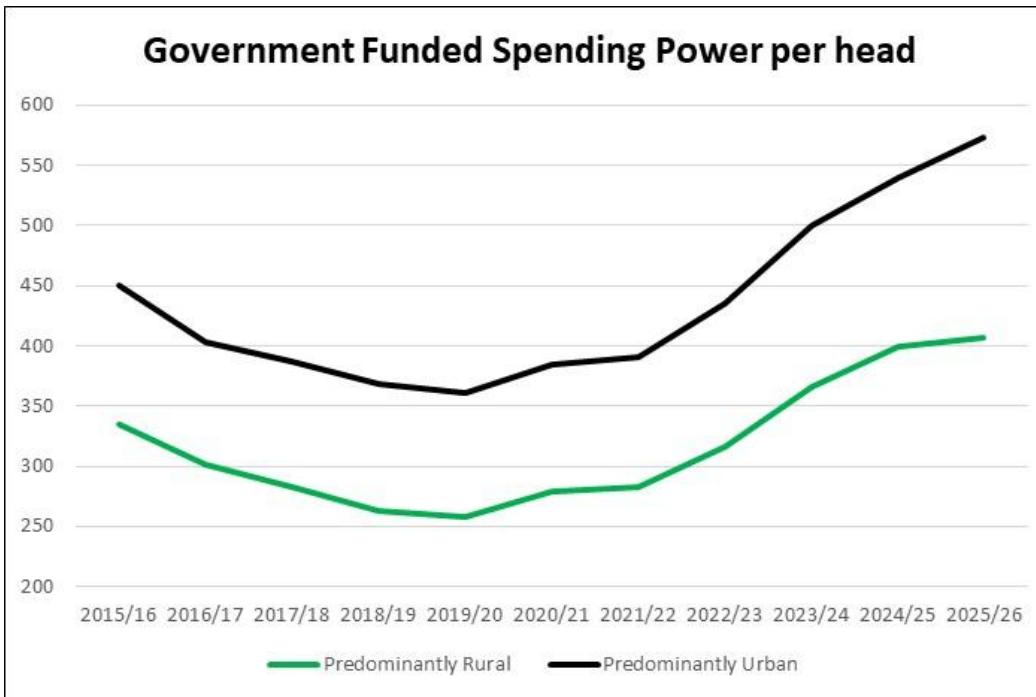
Government Funded Spending
Power in the most urban
Councils is **41% MORE** per
head than in the most Rural
Councils for 26-27

Rural residents pay more in Council Tax



Rural Residents
pay **20% more**
in Council tax
per head
compared to
Urban Residents

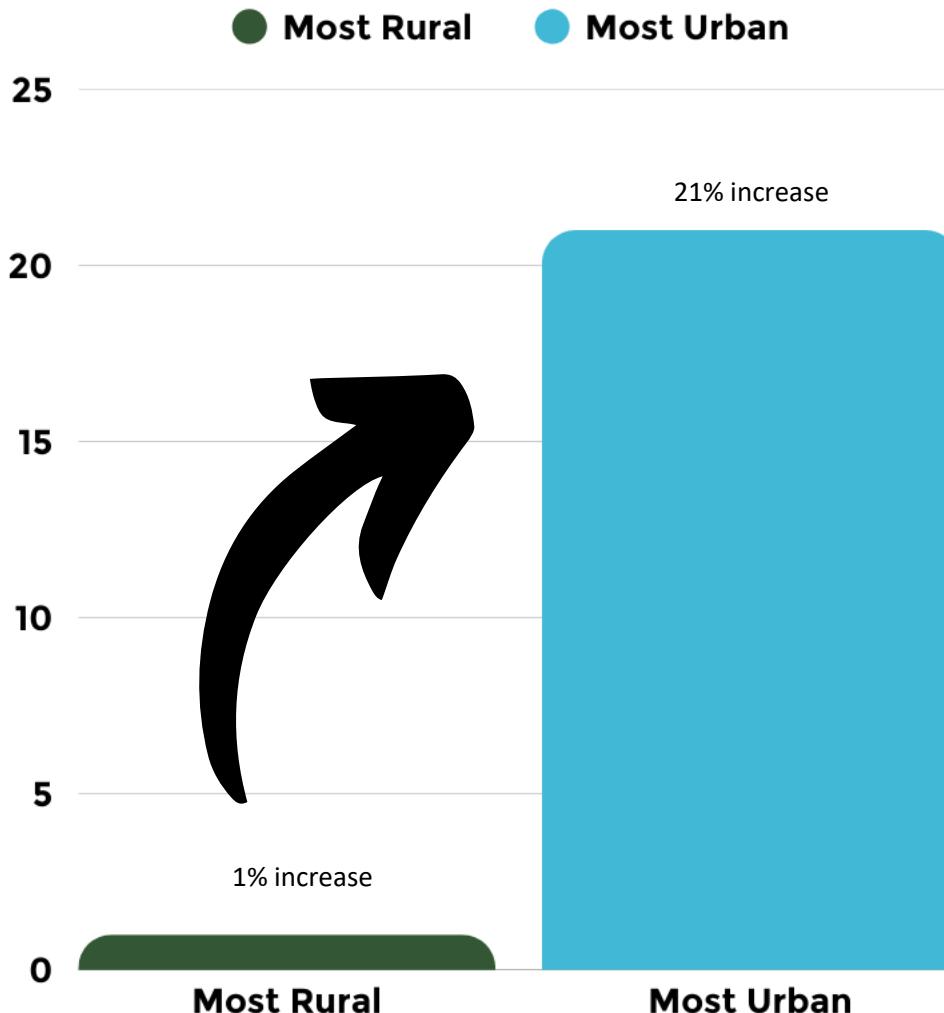
Government Funded Spending Power



These graphs show data from two different Local Government Formula, the difference in Government Funded spending power per head with the old formula on the left, and on the right, the new formula that starts for 2026/2027.

The gap is widening, meaning that Government is funding less of the public services itself, in the most rural councils.

Increase in Government Funded Spending Power



This graph shows the % increase in Government Funded Spending power from 2024-2025 to 2028-2029

We wrote to the Minister



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"*



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

Kerry Booth

Chief Executive, Rural Services Network

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The Minister wrote back...



Ministry of Housing,
Communities &
Local Government

Ministry of Housing, Communities and Local Government
2 Marsham Street
London
SW1P 4DF
Our reference: PO2025/33448

Kerry Booth
Chief Executive
Rural Services Network
PO Box 101
Craven Arms
Shropshire
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22 December 2025

Dear Kerry

Thank you for your letter of 24 November. I have been asked to reply.

The current, outdated way in which local authorities are funded has left some places behind - this is not fair. By 2028-29, we expect that the 10% most deprived authorities will see a significant increase in their Core Spending Power per head compared to the least deprived.

We expect that the vast majority of councils with social care responsibilities will see their Core Spending Power increase in real terms over the multi-year Settlement, with most councils seeing their Core Spending Power increase in cash terms.

The complexity and inequity of the current system means that local authorities of similar relative need and deprivation are starting from differing places. However, our reforms mean they will reach the end of the multi-year Settlement together.

With this action we can stem the tide of councils in financial crisis and allow the most disadvantaged places to reinvest in public services and visible neighbourhood improvements and support for the vulnerable. I can assure you, the Government is absolutely committed to tackling the issues that matter to rural communities.

We are introducing a fairer and evidence-based funding system. These updates will account for local circumstances, including for different ability to raise income locally from council tax. They will also account for the variation in cost of delivering services, including between rural and urban areas. In doing so, we will target a greater proportion of grant funding towards the most deprived places which need it most, ensuring the best value for money for government and taxpayers.

Our updated assessment of need will more effectively capture variations in demand for services within a local authority. We will continue to apply Area Cost Adjustments to account for the different costs faced in delivering services, including in rural and urban areas. The Area

Cost Adjustments consider differences in labour and rental costs, as well as the cost impact of longer journey times.

We will apply a remoteness adjustment to the Adult Social Care Relative Needs Formula, but not to formulas more broadly. The government recognised in the last consultation the case in principle for the impact of a remoteness adjustment on costs.

Alongside the Fair Funding Review 2.0, the Government published a needs calculator setting out every local authority's need share. As part of the review we invited stakeholders to provide further evidence to support or contradict the theory that rural areas face additional cost pressures.

We received limited additional evidence for the impact of remoteness on cost, however adult social care was cited frequently in the responses. In recognition of this feedback and the unique pressures rural authorities face, the government is prepared to make a judgement to account for remoteness exclusively when assessing the cost of adult social care services.

On 20 November, we published our response to the Fair Funding Review 2.0 which sets out the Government response to the Fair Funding Review 2.0 Consultation which was open from 20 June to 15 August 2025. These can be viewed at the links below:

<https://www.gov.uk/government/consultations/the-fair-funding-review-20>
<https://www.gov.uk/government/consultations/the-fair-funding-review-20/the-fair-funding-review-20>

We published the provisional Local Government Finance Settlement on Wednesday 17 December: [Provisional Local Government Finance Settlement 2026-2027 to 2028-2029 - GOV.UK](https://www.gov.uk/government/consultations/the-fair-funding-review-20/the-fair-funding-review-20). This seeks views on the proposals for the local government finance settlement for 2026 to 2027. The consultation is open from 17 December to 14 January and we encourage you to share your views.

Thank you again for taking the time to write.

Yours sincerely,

FRED SMAILES
Head of Ministerial Correspondence

Key Points in our response



- Removal of remoteness uplift from the Area Cost Adjustment in all the Relative Needs Formulas except social care
- The continuation of Recovery Grant in a ‘Fair and evidence based funding system’ which uses out of date IMD 2019 while the rest of the formula uses IMD 2025
- Proportion of core spending power that is funded from council tax, with the burden for funding the settlement largely placed on council tax payers in rural areas
- Previous MHCLG research in 2018 suggested that deprivation was not a major cost driver for services included in the foundation formula. What evidence is there that this has changed?
- Impact of second homes and how they are considered
- Short consultation period

Action this week



- We have provided you with a draft response to the consultation – this is live and we may send an updated version tomorrow morning as feedback is received
- We have provided you with individual analysis for your councils to explore your position in relation to:
 - Core Spending Power
 - Council Tax
 - Government Funded Spending Power
- We are sending today the individual analysis for your councils to your MPs
- We are sending today a general briefing to all rural MPs
- APPG on Wednesday
- Chair is meeting the Minister

What do you need to do?



1. Let us know if you have any comments on our draft response
2. Respond to the consultation
Please feel free to use our draft as the basis for your response
3. Contact your MP about the unfairness of the settlement



Delivering for All

A ROADMAP FOR RURAL PROSPERITY

Every person, in every place, deserves the chance to thrive, including everyone in our rural communities.

Rural Public Sector Fair Funding

Successive governments have underfunded rural councils, leaving rural residents at a disadvantage. Urban residents receive 25-26, 40% more in Government Funded Spending Power per head compared to rural residents. Rural voters also pay, on average, 20% more per head in Council Tax because their local council gets less government grant.

Adding to the challenge, council services cost more to deliver in rural areas, where residents are spread across wide areas but still depend on vital services. Communities in these areas deserve their fair share of funding to ensure they remain functional and sustainable—especially in the face of the cost of living crisis, which hits them hardest.

40% Government funded spending power in Urban Councils is **40% MORE** per head than in predominantly Rural Councils in 2025/26.

20% Rural residents continue to pay **20% MORE** in Council Tax compared to their urban counterparts in 2025/26.

Key Asks

1. Fair Funding

Create Public funding formulae which ensure the unique service needs, delivery constraints and the whole range of extra costs of delivering services in rural areas (and not just travel costs) are properly reflected.

Ensure funding for the Social Care Reform proposals uses a formula which recognises the whole range of costs faced by rural councils and care providers. This includes financially addressing the current backlog in assessments etc.

2. Metrics and Measures

The Government should monitor the impact of funding formulae on all areas across the country, including those in rural and urban areas to ensure that residents in our market towns and villages are not paying more for their services compared to those in more urban areas.

3. Rural Policy

Protect rural council taxpayers by fairly funding public services to ensure they are not asked to pay more to fund local services than their urban counterparts.

Public sector bodies should have the resources they require to meet the needs of their community and deliver services effectively. Residents should not be disadvantaged due to living in a more rural community.

Every Council should have the resources it requires to meet the different needs of their community. This includes Councils serving our market towns and villages as well as those in our cities.

<https://www.rsnonline.org.uk/delivering-for-all>

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