Ministry of Housing, Communities & Local Government

Alison McGovern MP
Minister of State for Local Government and Homelessness
2 Marsham Street
London
SW1P 4DF

Our reference: PO2025/33448

Kerry Booth
Chief Executive
Rural Services Network
PO Box 101
Craven Arms
Shropshire
SY7 7AL

22 December 2025

Dear Kerry

Thank you for your email of 24 November about Impact on Rural Local Authorities of Fair Funding Review 2.0. Please accept my apologies for the delay in responding to you.

I am grateful for you getting in touch. To ensure you receive a substantive and prompt response, I have instructed officials in the department to provide an update on your specific concerns, which is appended.

Thank you again for writing on this important matter and I hope this information clarifies the position. If that is not the case, please don't hesitate to let me know.

Yours sincerely,



ALISON MCGOVERN MP
Minister of State for Local Government and Homelessness

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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The current, outdated way in which local authorities are funded has left some places behind - this is not fair.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 the 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. 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