

## Consultation on Provisional Local Government Finance Settlement 2026-27

### Executive Summary

Shropshire Council does not believe the basis of the funding has been fair and equitable as was intended;

- The removal of the remoteness adjustment from relative needs formulae apart from Adult Social Care means there is not adequate funding to support the cost of delivering services in rural locations.
- Continuation of the one-year recovery grant for a second year for previous recipients means not only is there inequity resulting from the top-slicing of this funding from the whole sector to provide this to previous recipients but continuation of this grant was not even part of the consultation process.
- Council Tax equalisation means taking from those who have made difficult local decisions to raise council tax and redistribute it to those who have in the past perhaps not done so.

Shropshire Council was optimistic that the Funding Review and subsequent multi-year settlement would truly reflect the cost pressures that our rural authority is facing. Instead, we have been left hugely disappointed to see that our government funding has reduced significantly over the period, at a larger rate than other rural authorities, and in direct contrast to the large increases planned for urban authorities. MHCLG are aware of the structural funding gap that Shropshire Council faces, which makes this settlement even more disappointing that the government has chosen to amend the Fair Funding Formulae to further disadvantage this and other rural authorities.

We would ask that government looks again at the evidence provided which demonstrates that rural costs are impacted by more than just travel time across **all** services that the Council provides. The Council is aware of the Settlement response compiled by the Rural Services Network and is fully supportive of the arguments for inclusion of the Remoteness Adjustment highlighted in their response.

Shropshire Council is working hard to bring the Council's budget into a sustainable position, but this needs support from the government, by ensuring that funding provided to the authority accurately reflects the cost pressures the authority is facing and that flexibilities around referendum levels for council tax are considered.

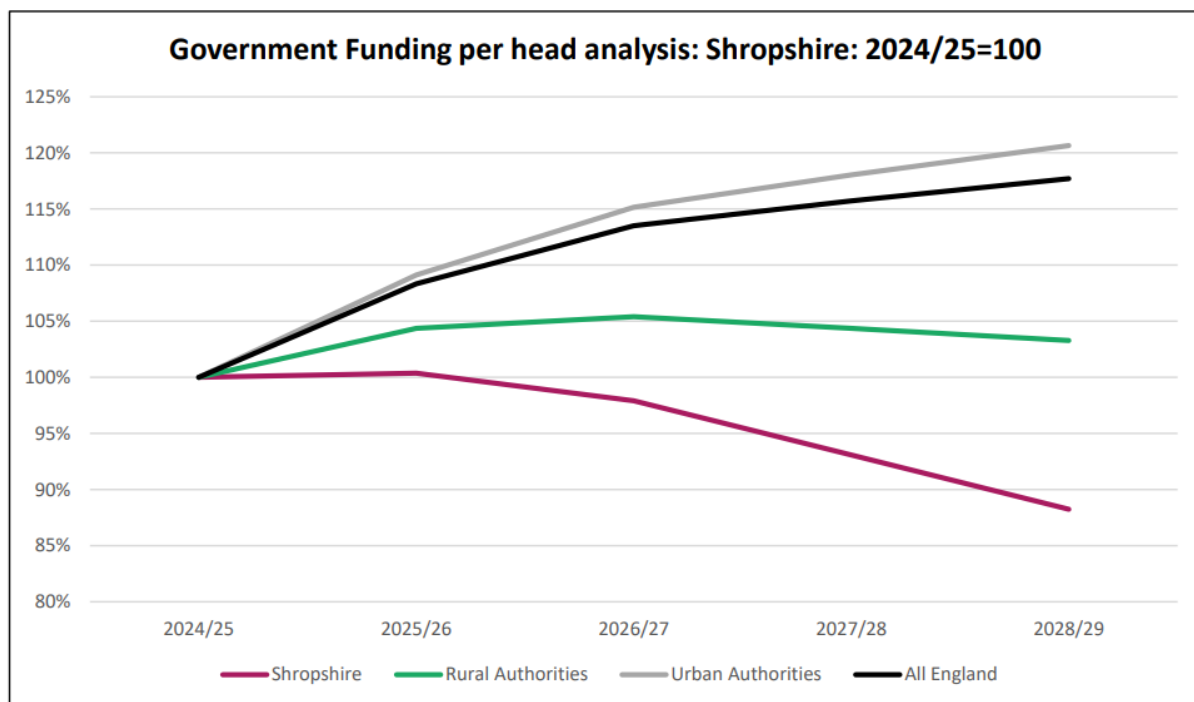
**Question 1: Do you agree or disagree with the government's proposals for distributing the total Fair Funding Allocation across the multi-year Settlement period from 2026-27? This encompasses the approach to Baseline Funding Levels, Revenue Support Grant, the Adult Social Care Relative Needs Formula 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.**

Shropshire Council strongly disagrees with specific elements of the Fair Funding Allocation across the multi year Settlement given that specific elements seem to be in direct contrast to the original intention of the Fair Funding Review.

In the Provisional Local Government Finance Settlement for 2025, it stated "the government will ensure the impact of rurality on the cost of service delivery and demand is reflected in the public consultation next year. However, the figures arising from the settlement provide a very different picture, with urban councils receiving 41% more per head in Government Funded Spending Power than the most rural councils in 2026/27, and as a result rural authorities are significantly more reliant on council tax income for any increase in funding.

Despite the Core Spending Power increasing for Shropshire over the multi year settlement, this is wholly due to increases in Council Tax. Without this, we would have seen a reduction in our funding levels. Government funding reductions over the next three financial years add a further pressure to budgets already squeezed due to the removal of the Rural Services Delivery Grant in 2025/26. Given that Shropshire already spends 74% of its net budget on social care, and has a much higher trajectory of population growth of over 65's to the national average, government funding should and must increase to provide adequate funding for statutory services.

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Council Tax Requirement	205.1	219.3	234.0	249.8	266.6
Other Funding	149.7	151.5	149.0	142.7	136.3
<b>Core Spending Power</b>	<b>354.8</b>	<b>370.8</b>	<b>383.0</b>	<b>392.5</b>	<b>402.9</b>
<i>Core Spending Power change since 2024 (£m)</i>		16.0	28.2	37.7	48.1
<i>Core Spending Power change since 2024 (%)</i>		4.5%	7.9%	10.6%	13.6%
<i>Core Spending Power change relating to Council Tax since 2024 (£m)</i>		14.2	28.9	44.7	61.5
<i>Core Spending Power change relating to Council Tax since 2024 (%)</i>		4.0%	8.1%	12.6%	17.3%
<i>Core Spending Power change relating to Other Funding since 2024 (£m)</i>		1.8	-0.7	-7.0	-13.4
<i>Core Spending Power change relating to Other Funding since 2024 (%)</i>		0.5%	-0.2%	-2.0%	-3.8%



The key concern that we have with regard to the settlement is the exclusion of a Remoteness uplift in the Area Cost Adjustments except for Adult Social Care. For Shropshire Council we believe that this change alone has reduced our settlement funding by around £4.4m. Whilst it is noted that the Area Cost Adjustments include

Accessibility and Remoteness uplifts, this is only a partial solution to reflecting the increased costs that rural authorities face in providing services. There are many other examples in addition to travel times that impact on the costs of services. For example:

- Access to adequate public transport – frequency of buses and routes across county areas are not available due to funding reductions and commercial viability of routes. This significantly impacts ability of residents to access services, and can cause social isolation and impact the economy of Shropshire.
- Rurality within Shropshire also means that school bus routes cannot be accommodated by commercial bus companies. Instead the authority has to rely on taxi's to provide school transports for a number of journeys, which comes at a cost premium when compared to urban authorities where commercial bus companies will provide standardised routes in a limited location.
- Digital connectivity is still an issue for some areas of Shropshire, which impacts on residents' ability to access online services, and business operation including remote working. This also means that the Council still has to rely on the provision of face to face and telephone service provision, thereby not reducing specific running costs that other councils can benefit from.
- Competition within providers that the Council contracts with is limited in a rural setting. Whilst this has been highlighted as a pressure in Adult Social Care, this is not unique to this sector, and for other services there will be a much reduced number of suppliers bidding for council contracts when compared to more urban settings.
- Reduced provision of affordable housing, meaning communities are unable to attract and retain young people, impacting on recruitment issues for the council and business within the county alike, thereby again affecting unit costs of services procured and provided. Also this has direct implications for the level of temporary accommodation and homelessness within the County.
- Community facilities impacting on resident wellbeing, education and support are reduced and less available locally in rural settings including libraries, leisure and community facilities.

Shropshire Council therefore requests that the government reinstate the remoteness weighting into all the RNF in order to accurately reflect the true costs of providing services in a rural setting, which this funding settlement was intended to do.

Shropshire Council also notes that the Provisional Local Government Settlement includes a continued allocation of Recovery Grant to those authorities in receipt of the grant in 2025/26. This does not form part of the Fair Funding Assessment and was not previously consulted on over the course of the summer. To reiterate, the intention of the

Fair Funding Review 2.0 was to ensure that funding was distributed based on sound and accurate evidence and bases. The £600m distribution of the Recovery Grant is in direct contrast to the principles of the funding review, and therefore we strongly disagree with the continuation of the Recovery Grant and would recommend that this funding is instead distributed via the fair funding assessment along with all other specific grants that have been pooled into this assessment.

As stated in our response to the Fair Funding Review 2.0, Shropshire Council does not support full council tax equalisation. Council tax is a local tax, and as such the tax generated should be retained locally. If full equalisation was to be adopted, then this removes any incentive for local authorities to build new homes, in line with the Government's target, as we would not be able to retain this council tax growth to fund additional services required for that increase in population. This is particularly the case now that New Homes Bonus funding has been removed. It is also unrealistic that the uniform Council tax collection rate has been set at 100%, given that no authority to collect 100% of council tax set. It would make more sense for this to be set at the average level across the country.

Also, the inclusion of second homes in the taxbase calculation was not consulted on. We believe that this should not be built into future taxbase forecasts. The increase in taxbase from this discretionary scheme is a one off, as the authority will not continue to get the same level of increase year on year.

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

Shropshire Council disagrees with the transitional support provides through the use of funding floors. Funding for the transitional floors has been top sliced from the overall allocation of funding, thereby reducing the funding available to all local authorities. From looking through the allocation of the funding floors, it is also inner London that benefit the most. Given that council tax levels are significantly lower than other areas in England, this would suggest that these authorities have been overfunded previously, and over the next 3 years this will continue to be the case whilst they benefit from funding floors. Meanwhile, Shropshire Council receives a significant cut in Government funding and has to provide any funding growth through council tax. This continues to be unfair and inequitable.

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

No.

The increase in Core Spending Power that Government announces is wholly due to an increase in Council Tax which has remove the ability for any local decision making over the level of council tax to be set without facing a further gap in funding. For Shropshire Council we have seen a 13.6% increase in Core Spending Power over the course of the multi-year settlement in comparison to 2024/25 compared to the national figure of 23.6%. Without this level of Council tax increase, the authority would be facing a significant reduction in funding.

If the Government is not prepared to fund the cost pressures of delivering services in a rural area accurately through the funding formula then the Council believes that local authorities should have more discretion to set the level of council tax necessary to meet its cost pressures. Council tax represents 66% of Shropshire Council's Core Spending Power and therefore the current referendum limit is applying even further pressure on Council's budgets which continues to leave the Council with a structural funding gap, which we are having to address through requests under Exceptional Financial Support. No authority wishes to place a greater burden on Council taxpayers, however local authorities should have the ability to increase council tax to an appropriate level where this would not leave the council as an outlier in comparison to its statistical nearest neighbours. For example, Shropshire Council has the third lowest council tax of its statistical nearest neighbours, and therefore council tax increases in excess of the current referendum level would allow the council to address the structural funding gap it faces.

Statistical Nearest Neighbours	2025/26 Band Council Tax
Northumberland	2,268.79
Cornwall	2,171.72
Isle of Wight	2,130.06
Stockport	2,076.06
Wiltshire	2,068.18
Sefton	2,061.70
Herefordshire	2,055.45
Cheshire West and Chester	2,020.00
Wirral	1,982.44
Cheshire East	1,960.58
East Riding of Yorkshire	1,945.45
North Somerset	1,911.31
<b>Shropshire</b>	<b>1,907.85</b>
Bath and North East Somerset	1,882.17
BCP	1,865.25

**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?**

It is not possible to comment on this given the lack of information provided about how the Relative Needs Formula has been calculated.

**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?**

Shropshire Council supports the research project to determine the funding model that is required for Internal Drainage Boards.

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

Agree that funding for Mayoral Strategic Authorities should be calculated based in the same way as other local authorities.

**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.**

Age - given that Shropshire has an increasing aging population in comparison to the national average, it is clear that older people will be significantly disadvantaged by the reduced funding being provided to rural authorities in comparison to urban authorities as a result of the heavy weightings towards deprivation.

Older Shropshire residents are reliant on the following services provided to the Council and given the reduced funding provided, these residents are likely to be disadvantaged:

- Adult social care and home support services
- Transport services
- Public health outreach and community activities
- Accessibility adaptations and preventive services