



Ministry of Housing, Communities & Local Government

**Ministry of Housing, Communities & Local
Government**

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Our reference: TO2026/12195

Ms Loraine Harwood

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20 May 2026

Dear Ms Harwood,

Thank you for your correspondence dated 22 April 2026 regarding the impact of government policies on the local council tax and funding framework.

The recent Local Government Finance Settlement is our most significant step yet to make English local government more sustainable. We are delivering fairer funding, targeting money where it is needed most through the first multi-year Settlement in a decade. It will make available £78 billion in Core Spending Power for local authorities in England in 2026-27, a 6.1% increase compared to 2025-26. By the end of the multi-year Settlement (2028-29), the government will have provided a 15.5% increase in Core Spending Power for local authorities in England, worth over £11.4 billion, compared to 2025-26.

The government values the role town and parish councils play in delivering local services, managing local assets and championing the priorities of their communities, but has no direct role in funding parish and town councils.

We recognise that the increase in the rate of employers' National Insurance Contributions will lead to increased costs for some parish councils. The majority of funding in the Local Government Finance Settlement is unringfenced recognising that local leaders are best placed to identify local priorities including, where applicable, services provided by parish councils.

The government is committed to transforming the business rates system to create a fairer system that protects the high-street, supports investment and is fit for the 21st century. The 2026 revaluation came into effect on 1 April 2026. At revaluations the rateable values, which is the annual rental value of properties, are updated independently by the Valuation Office Agency for all non-domestic rating properties to reflect market values as at 1 April 2024.

At Budget 2025, the government announced a £4.3 billion support package to help those ratepayers seeing large bill increases as a result of the revaluation to gradually move to their new bill over time. This includes a redesigned, more generous Transitional Relief Scheme which caps bill increases each year at a certain percentage, worth £3.2 billion. Regarding your concerns with local government structures, town and parish councils are not in scope for local government reorganisation and will continue to operate as they do now. Reorganisation does not impose new duties or responsibilities on parish councils, nor does it change their statutory role or funding arrangements. There is no intention for parish councils to take on additional responsibilities as a result of reform unless they choose to do so locally.

Where local authorities consider how town and parish councils might best contribute to community life under new unitary arrangements, this should be done in a way that reflects local

circumstances and capacity. Where parish councils are invited to play an enhanced role, principal councils should also consider what support may be needed to enable them to engage effectively.

More broadly, the Government expects local government reorganisation to support stronger and more sustained community engagement. Future arrangements should help ensure that decisions are taken as close as possible to local people, building on the strengths that already exist within communities. To this end, the English Devolution and Community Empowerment Act will require all local authorities in England to establish neighbourhood governance, to move decision-making closer to residents, and local authorities will need to work with local stakeholders including town and parish councils.

The introduction of neighbourhood governance arrangements is not about replacing or reducing the role of parish and town councils. Instead, it is about complementing their work and ensuring that all communities, whether they have a parish or town council, have effective ways to engage with their local authority. It is not the intention that these regulations should prevent existing agreements between principal authorities and parish and town councils around local functions and service delivery.

Thank you for taking the time to write to us.

Yours sincerely,

Shuma
Correspondence Unit