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To:
Leaders of County and County Borough Councils in Wales

Copied to:
Chief Executives and Directors of Finance, County and County Borough Councils in Wales
Chief Executive and Director of Finance, Welsh Local Government Association

20 December 2023

Dear Colleagues,

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlement for 2024-25 (the Settlement) for county and county borough councils (authorities) in Wales through a Cabinet Written Statement. This is attached for your information.

As you know, following the UK Government Autumn Statement, the Welsh Government's resource settlement will reduce by 0.1% in 2024-25 in real terms. As I have set out in our Welsh budget, our overall funding settlement is not sufficient to meet all pressures and allow us to do all the things we want to do. We have re-shaped the indicative spending allocations within our budget to provide extra funding and protection for the services which matter most to people and communities across Wales. We have done so in line with our priorities to:

- Protect core, frontline public services as far as possible.
- Deliver the greatest benefit to households which are hardest hit.
- Prioritise jobs, wherever possible.
- Work in partnership with other public sector bodies to face this financial storm together.
- Re-focus funding away from non-devolved areas, which the UK Government should be funding.

We have taken this approach to ensure we continue to focus funding where it can have the most positive impacts in the circumstances and taking action to ensure we mitigate direct impacts to people and places, as far as possible.

In 2024-25, Welsh local authorities will receive £5.7bn from the Welsh Government Revenue Support Grant (RSG) and non-domestic rates (NDR) to spend on delivering key services. This means the core revenue funding for local government in 2024-25 will increase by 3.1% on a like-for-like basis compared to the current year. I am providing additional funding of £1.3m to ensure no authority will receive less than a 2% increase.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

We have made the protection of the indicative rise of 3.1% in the local government Settlement announced in the Budget in March a priority in setting our draft budget. In line with our focus on supporting households, this maintenance of our investment in your services protects households and the critical services you deliver to your communities.

In addition to the core Settlement, I am publishing indicative information on specific revenue and capital grants planned for 2024-25, which amount to over £1.3bn for revenue and over £960m for capital at this provisional stage.

As we have discussed, as part of our Programme of Government we are committed to ensuring that your authorities are not hampered by unnecessary bureaucracy. Our programme of work to reduce the number of separate grants paid to local authorities from 2024-25 and to move grants into the de-hypothecated settlement is progressing, working with your officers. Some areas have already been identified for change and the draft budget sets out how we are rationalising and refocusing education specific grants. This work continues and I expect more changes to be presented at part of the final settlement. We are due to consider packages of proposals in the Finance sub-group in January. I am committed to transparency about the movements so you and other partners can clearly see any changes in funding in the round.

Social services continue to be a priority for councils and for Welsh Government. Our joint commitment to the real living wage for care workers reflects this. The costs of enabling authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers were included in the indicative budget increase announced last year.

I have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2024/25 teachers' pay deal. Authorities' budget planning must therefore accommodate these costs.

As announced on 19 December, I am providing a package of non-domestic rates support that will benefit every ratepayer in Wales. We will cap the increase to the non-domestic rates multiplier for 2024-25 to 5%, at a recurring annual cost of £18m. This is lower than the 6.7% increase that would otherwise apply.

We also continue to support ratepayers with increased liabilities following the 2023 non-domestic rates revaluation. Our transitional relief scheme continues to phase in changes for eligible ratepayers at a cost of £38m in 2024-25.

Outside of the Settlement, alongside the multiplier cap, we will be investing an additional £78m to provide a fifth successive year of support for retail, leisure and hospitality businesses with their non-domestic rates bills. This builds on the almost £1bn of support provided through our retail, leisure and hospitality rates relief schemes since 2020-21. Eligible ratepayers will receive 40% non-domestic rates relief for the duration of 2024-25. As in previous years, the relief will be capped at £110,000 per business across Wales.

I recognise that while the recent very high rates of inflation are now decreasing, they are still high by the standards of the last 15 years. Baseline costs for staff and services have increased and are not reducing. Demand for services, alongside cost pressures mean that your Authorities will need to make difficult decisions on services, efficiencies, and council tax in setting your budgets. I know you will seek to engage meaningfully with your local communities as you consider priorities for the forthcoming year.

I do not consider that it is appropriate for the Welsh Government to set an arbitrary level of council tax increase irrespective of local circumstances or choices. Your Authorities will need to take account of the full range of funding sources available to them, as well as the pressures they face. I encourage you to continue to carefully balance the impact of increases on household finances with the loss of support and services. I know that across Wales you as Leaders, elected members and officers alike will strive to find ways to make the best use of resources to make the most difference for your communities.

In line with our joint focus on supporting households, we will continue to maintain full entitlements under our Council Tax Reduction Scheme (CTRS) for 2024-25 and are again providing £244m for CTRS in the Settlement in recognition of this.

The Chancellor's Autumn Statement referred to the changes to the SCAPE rate, which has implications for the costs of employers' contributions to teachers and fire-fighter pensions. This in turn has implications for Local Authority budgets. Funding for this is expected to be provided by UK Government but not until 2024-2025. I will be writing to the Chief Secretary to the Treasury to press for assurances on the level and timing of this funding. My officials will keep your officers informed.

I set out the position on capital funding for the Welsh Government as part of my budget statement on Tuesday. With next to no increase in overall capital funding and the Welsh Government capital budget 6% lower in real terms than the current year, I have maintained the general capital funding for local authorities at £180m, the indicative level that was set last year. With soaring inflationary costs in the construction sector, I know this will mean that your authorities will have to look carefully at and prioritise your capital programmes to continue to invest to best effect in the provision of public services. I have also continued to provide £20 million capital in each year to enable authorities to respond to our joint priority of decarbonisation, to continue the focus on contributing to the Net Zero Wales plan. As for this year, I have not considered hypothecating revenue funding to support authorities' response to climate change recognising that all our decisions must consider how to reduce our ongoing emissions and to allow authorities maximum flexibility to do so and to manage their budgets.

The draft *Local Government Finance Report* and additional tables containing details of the Settlement by individual authority are also being published on the [Welsh Government website](#). These tables include the individual authority allocations of Aggregate External Finance (AEF), comprising RSG and redistributed NDR. We are also providing information on revenue and capital grants which are planned for 2024-25. This information will be further updated for the final settlement.

The publication of the Settlement in mid-December has enabled us to draw on the latest tax-base figures for 2024-25, meaning that there should be no change between provisional and final settlements as a result of updates to the tax base. While I cannot guarantee that there will be no other changes between the provisional and final settlements, due to the financial uncertainty that we currently face, I do not intend making any significant changes to the methodology or the data underpinning the distribution of this Settlement.

My announcement today launches a 6-week period of formal consultation on the Settlement for 2024-25. I would be grateful if you could ensure your response arrives no later than **Wednesday, 31 January 2024**. All responses to this consultation should be sent to:

Andrea Melvin: LGFPSettlement@gov.wales

Comments are invited about the effects (whether positive or adverse) the proposed Settlement would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. In addition, we invite comments on whether the proposed Settlement could be formulated or revised to have positive effects, or decrease adverse effects, on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

The Welsh Government intends to publish a summary of the responses. Normally, the name and address (or part of the address) of each respondent are published along with the response. If you do not wish to be identified as the author of your response, please ensure you state this explicitly in your response.

Copies of responses may be placed in the Welsh Government's library. If you wish your comments to remain confidential, please make this clear in your reply. This will be considered in light of our obligations under the Freedom of Information Act. The Welsh Government will consider all responses received by the due date before the final determination is made and published.

Authorities are reminded of the requirement to comply with the general equality duties set out in the Equality Act 2010, and also the specific equality duties where applicable. The equality impacts of budgetary options should be assessed and inform any final decisions. In addition, we would also expect you to consider the impacts of budgetary options on children and young people.

Authorities also need to take account of their duties under the Well-being of Future Generations (Wales) Act 2015 and the Welsh language standards in preparing plans for 2024-25.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government