



Ein cyf/Our ref: MA/JB/2491/25

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

24 November 2025

Dear Colleagues,

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlement for 2026-27 ("the Settlement") for county and county borough councils ("Authorities") in Wales through a Cabinet Written Statement. This is attached for your information.

In 2026-27, Authorities will receive £6.4bn from the Welsh Government Revenue Support Grant ("RSG") and non-domestic rates ("NDR") to spend on delivering key services. This includes further funding of £5.5m to ensure that no local authority has an increase of less than 2.3%. This means the core revenue funding for local government in 2026-27 will increase by £169m (2.7%) on a like-for-like basis compared to the current year.

We have ensured that the additional £97m allocated during 2025-26 for the public sector to meet the UK Government's increased employers' National Insurance costs, and the £37m to meet full year pay awards for teachers, ALN Co-ordinators and local authority staff has been included in the baseline funding for 2026-27. In addition to a 2% uplift for general inflation we have also added a further 0.2% for pay inflation.

Our joint commitment to the real living wage in social care is an important part of our approach to both social care and social partnership. We committed to funding the difference between the national living wage and the real living wage. The recent independent Real Living Wage evaluation recommended that this funding was ringfenced. The provisional settlement includes a baseline of £91.5m, added in previous years, to reflect this ongoing commitment. I do not consider taking funding out of the settlement for the purposes of a hypothecated grant would be appropriate given the responsibility of local government for social care, nor would it be in the spirit of the strategic partnership agreement that we agreed earlier in the year. I expect this funding to be used for its intended purpose to support the provision of the real living wage of £13.45 for social care workers in line with our shared commitment to this vital workforce.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Jayne.Bryant@gov.wales
Gohebiaeth.Jayne.Bryant@llyw.cymru

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.

The second stage of our one-year draft budget was published on 3 November. Whilst the approach of restating current departmental budgets, uplifted in line with forecasts for inflation allows you to plan with some certainty, it is the beginning of the budget process. It is our firm ambition to secure a Final Budget which uses all the resources available for 2026-27, safeguards jobs, protects frontline public services and does not lead to large increases in council tax. The First Minister and the Cabinet Secretary for Finance and Welsh Language have been clear it is the Senedd's collective responsibility to pass the Welsh Budget and we are committed to working with all parties to do just that.

I am mindful that Local Government is in a unique position because of the rules it must follow when setting budgets, and I will continue to work closely with you to do everything possible to maximise your spending power.

2026-27 is the second year that rates retention will be paid out as part of the Settlement. An amount of £117k has been deducted before setting the Aggregate External Finance ("AEF") figure. This total is being paid to the relevant Authorities of that City Deal (Swansea Council, Carmarthenshire County Council and Neath Port Talbot County Borough Council). The equivalent figure has been paid into the NDR pool and distributed through the settlement in prior years.

In addition to the core Settlement, I am publishing indicative information on specific revenue and capital grants planned for 2026-27, which amount to over £1.3bn for revenue and over £1.08bn for capital at this provisional stage.

The work to reduce the administrative burden on Authorities, committed to as part of the Programme of Government has continued. Whilst we've not transferred any further grants into the Settlement for 2026-27, work has been completed or is underway in other grant areas to streamline the amount of monitoring of grants to ensure Welsh Government is only collecting the information which it, with Authorities, need to understand the impact and outcomes of grant programmes. This has included reducing the frequency of monitoring returns, simplifying grant application forms and having stepped criteria for business cases dependent on the size and risk of programmes or projects. We will continue to work with you to understand the impact of changes to grants thus far, for example the consolidation of education grants, to inform the next phase of this work.

Our non-domestic rates arrangements for 2026-27 will be determined as part of the preparations for the Final Budget. This will take account of all relevant information following the UK Government's Autumn Budget and the outcome of the next non-domestic rates revaluation, which will also take effect on 1 April 2026. The Draft Budget reflects the usual default expectation that non-domestic rates revenue will be maintained in line with CPI inflation. The provisional settlement includes the full amount of our current working estimates of the NDR Distributable Amount, rather than assuming a 2% increase.

I fully acknowledge the challenges Authorities have been facing and continue to face. Responding to those challenges has meant an incredible amount of hard work and resilience across the sector by both officers and elected members over many years.

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, as well as the pressures you face, and I encourage you to continue to carefully balance the impact of increases on household finances with the loss of support and services. My colleagues and I will continue to work with you to explore a set of practical options to boost the spending power available

at the time of budget setting, and we are consulting with Directors of Finance. 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.

We are all aware of the pressures on households. In 2013-14, we made a choice as a Country to protect vulnerable and low-income households across Wales by maintaining full entitlements to support with their council tax bills, under our national Council Tax Reduction Scheme (CTRS), a choice that has been made every year for more than a decade. The tailored nature of our national scheme means this support is targeted towards those who need it most. In 2024-25, this meant that almost 256,500 vulnerable and low-income households – around one in five households – benefited from a reduction in their council tax. In line with this joint focus on supporting households, we will continue to maintain the baseline funding of £244m for CTRS in the Settlement.

The draft Budget set out the position on capital funding. As part of our approach to uplift budgets in line with inflation, the general capital funding for local authorities has increased from £200m to £204m. Funding for the Low Carbon Heat Grant for 2026-2027 will be almost £31m. We have had some excellent examples where this funding can be used in stand-alone projects or as part of wider capital programmes to reduce the carbon footprint of the local authority estate and secure revenue savings in doing so.

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 2026-27. This information will be further updated for the final settlement.

The publication of the Settlement at the end of November has enabled us to draw on the latest tax-base figures for 2026-27, meaning that there should be little or no change between the provisional and final settlements because of updates to the tax base. While I cannot guarantee that there will be no other changes between the provisional and final settlements, 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 ½ week period of formal consultation on the Settlement for 2026-27. I would be grateful if you could ensure your response arrives no later than **Wednesday, 7 January 2026**. All responses to this consultation should be sent to:

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 2000. The Welsh Government will consider all responses received by the due date before the final determination is made and published.

As is usual, your 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 2026-27.

Yours sincerely

A handwritten signature in black ink, reading 'Jayne Bryant' in a cursive style.

Jayne Bryant AS/MS

Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai

Cabinet Secretary for Housing and Local Government