



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 January 2026

Dear Colleagues

Today I am publishing details of the final 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 £6.56bn 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 2026-27 will increase by an average 4.5% on a like-for-like basis compared to the current year. No authority will have an increase of less than 4%.

I am pleased that the budget agreement between the Welsh Government and Plaid Cymru includes an additional £112.8m above the funding indicated in the provisional settlement, to support local government. This funding will help protect core frontline public services as far as possible, particularly those key sectors that are facing increasing demands such as Education and Social Care.

I acknowledge the concerns raised by local authority partners and schools regarding the increasing pressures they face, such as the growing complexity of learner needs and the expanding role of schools in supporting the broader community. Moreover, the significant rise in school deficits cannot be overlooked. The WLGA has estimated a £137 million increase in the funding requirement for education by 2026/27. Investment in education remains a key priority for the government, and we support local authorities to ensure schools across Wales are fully funded to address these pressures. Given that Local Authority funding accounts for over 80% of education funding, I am pleased to note the 4.5% increase in local government funding through this budget. This settlement offers a valuable opportunity for local authorities to allocate significant resources to their schools, to focus on the key pressures of Additional Learning Needs (ALN), school transport, workforce, and workload.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynir 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 responding in Welsh will not lead to a delay in responding.

The additional funding of £112m provided in the Final Budget will also support the continuing delivery of essential social services for both children and adults. I recognise that this is an area where meeting immediate demand while working to prevent future needs presents significant challenges. In my letter issued alongside the Provisional Settlement, I highlighted our joint commitment to the real living wage in social care and to the continuing baseline funding of £91.5m within the Settlement to reflect this ongoing commitment. The increased funding for the settlement will support you in continuing to provide the real living wage of £13.45 for social care workers. Given the broader pressures on social care and the recent announcement of the increase in the 2026 national living wage, I and my colleagues remain committed to supporting this vital workforce and will actively explore options for additional funding in-year.

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 £1.0bn for capital.

I would again wish to place on record my acknowledgement of the incredible amount of hard work and resilience across the sector by both officers and elected members over many years.

I can confirm that I do not consider it 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. 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.

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 by maintaining full entitlements to support with council tax bills, through our national Council Tax Reduction Scheme (CTRS). This commitment has been upheld every year for more than a decade. The tailored design of our national scheme ensures support is targeted at those who need it most. Today, over 256,000 vulnerable and low-income households – around one in five households – benefit from a reduction in their council tax. Reflecting our shared priority and responsibility to support households, we will continue to maintain the baseline funding of £244m for CTRS in the Settlement. We remain committed to ensuring that the council tax system is fair and continues to support those most in need, including through the enforcement of debt. Our approach seeks to balance the needs of vulnerable people in our communities with the importance of safeguarding the value of this funding to local government. Accordingly, funding within this settlement includes £375k to support local authorities in implementing fairer council tax enforcement practices, as required by the Regulations laid on 22 October 2025.

In the draft budget I was pleased to provide a further increase of £4m in general capital funding for local authorities to support inflationary increases in costs.

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.

Details on non-domestic arrangements for 2026-27 were announced in December (<https://www.gov.wales/written-statement-non-domestic-rates-support-2026-27>).

The next non-domestic rates revaluation will take effect on 1 April 2026. The Welsh Government will provide transitional relief for all eligible ratepayers whose liability increases by more than £300 as a consequence of the 2026 revaluation, at a cost of £116m over two years. Funding for transitional relief of £77m in 2026-27 has been added to the RSG for the Final Budget to offset the reduction in NDR income and ensure that the overall funding for local government is not affected by the additional NDR relief. The provisional multipliers for 2026-27 have also been determined. The standard multiplier has been calculated as 0.502, the new retail multiplier will be set at 0.350, and the new higher multiplier will be set at 0.515. The impact of multiplier changes is revenue neutral.

The *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.

There have been some minor changes between the draft and final settlements which have slightly affected the distribution of funding but does not impact the overall percentage changes. There is a £147k increase to national park levies and a very small change in the tax setting base.

I know that you are aware of the need 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. Authorities also need to have taken 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.

The Government will now proceed to lay the Local Government Finance Report (No. 1) for 2026-27 for debate in the Senedd on 27 January 2026.

Yours sincerely



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Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
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